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...to my supervisor Mr. Lo Sun Yee for his guidance
...until the completion of this exercise.
...to Mr. Lee Han Sang of Statistics Department
EMPLOYMENT, UNEMPLOYMENT AND THE FIRST MALAYSIA PLAN ... of unemployment
... the Ministry of Lands and Mines and also a top
... Cambridge Examination Syndicate for kindly acquiescing
... their "confidential" data. Lastly my advance and sincere
... external examiner for reading this exercise; and whom I
... let me down.

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 - (ii) Unemployment by
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Introduction

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N.B.

- (A) The first chapter: Most of the figures quoted in this chapter derived from the Plan and the Mid Term Review of the Plan. For sake of convenience and smooth reading no attempt is made to repeatedly quote the source.

Second Chapter : Similarly for this chapter and for same reasons as above no constant repetition is made of the sources of the figures obtained here. Most of the figures on employment and unemployment are from Provisional Data on Employment and Unemployment 1967, Statistics Department.

- (B) References quoted as "Review", "Plan" refers to Mid Term Review of First Malaysian Plan and "Plan" refers to the First Malaysian Plan itself.

- (C) The concentration of this exercise is mainly on West Malaysia.

Introduction

Unemployment is generally a problem in any economy. In some it is a severe affliction; how serious it is - is simply a matter of degree. We are now facing a very serious unemployment (and underemployment) situation, with all its social and economic implications. A significant and alarming aspect of the problem faced is that most of the unemployed are young people and school leavers of both sexes; not very well educated or trained for jobs and facing an economy which apart from failing to provide them jobs also fails to provide them any form of extended education or any sort of social relief like unemployment insurance.

The official estimates put the unemployment at 200,000. Some politicians insisted that it is between 200,000 to 500,000. It was reported that there were more than 63,000 youths under 12 years of age, seeking jobs such as unskilled general labourer, postmen and office peons through Labour Exchanges. Taking the obviously though perhaps not very largely underestimated official figure of 200,000, such a pool is serious considering the fact that the total employed labour force is not relatively big (around 3 million) in an economy which in few years back recorded an employment growth rate which fell short of that rate of job seekers.

The relative urgency of the task facing the government - to ameliorate the employment situation - and the wide publicity given by the government of the seriousness of the problem; the measures it is taking through Capital Investment Committee has prompted one to undertake the writing of this exercise on this matter, with special reference, in fact within the context of the first Malaysian Plan.

It is not intended here, for various reasons, to provide an extremely detailed and thorough analysis of unemployment problem, its causes etc. Only a broad and general analysis is put forward, though special emphasis is placed on certain points and factors which the writer feels are important in the context of this discussion. The generality of this topic - unemployment - has therefore forced me to limit the analysis to a certain scope, to include certain aspects and to exclude others. The reader may feel that certain aspects should not have been ignored or had been treated only superficially. It is inevitable that this is so hence I make no apologies for this.

The first chapter deals with the general employment targets, the various sectoral targets - especially the main sectors of the economy, and how far the targets had been attained within the period under review (3 years). The general failure of economy to attain a reasonable employment targets have been traced to several general though only main causes - as done in chapter II. Chapter III attempts to bring out the fact of unemployment - their numbers, percentage or rates and the nature of those unemployed - for the economy as a whole and for various areas in the economy - i.e. urban, rural and metropolitan areas. A comparison between the areas unemployment situation and between different periods for same areas had been undertaken. The writer also tries to bring out the various possible reasons to believe the existence of large ^{movement} increments of labor (unemployed) from rural to urban areas.

The measures to meet the unemployment problem are broadly long-run and short run. This is treated in chapter IV. In analysing the measures some important specific problems, involved in a particular measure have been greatly emphasised and identified. Great emphasis has been placed on one of the problems - manpower shortage - which had been dealt with in the concluding and last chapter - chapter V.

The exercise is concluded with the suggestion that the government make a careful and detailed study of the extent of unemployment in the various States, their respective potentials and ways and means to consider providing a form of extended education to those young and untrained job seekers.

For-1 targets

Various sectors of the economy were accorded varying roles in attaining this employment objective. Specific sectoral employment target recently is based on specific sectors past performance and its potentiality well as the economic policies and programmes pursued by the government. Agricultural sector for example had traditionally played a significant role in employment providing as much as more than half of the jobs of all the employed, but the urgent need to diversify and widen the base of the economy, the immediate imperative need to create more jobs have resulted in a renewed emphasis on industrialisation and the development of the tertiary sector.

Agricultural sector: Employment targets and achievements

The plan laid a strong emphasis and substantially heavy reliance on agriculture to absorb majority of the increase in labor force. But such a heavy reliance on agriculture is relatively less emphasised compared to that in the second Malaya Five Year Plan. The first Malaysian Plan has required the agricultural sector to absorb only 165,000 or 43.77% of the 377,000 projected increase in labor force as against the corresponding figure of 200,000 in the prior plan. To achieve its 43.77% employment target the sector has to create within itself employment opportunities at an average annual growth rate of 2.5%. The attainment of this target will mean that by 1979 53,800 or 1,563,000 of the estimated total employed of 3,895,000 will be in agriculture.

The major means towards accomplishing this target is through land reclamation scheme, especially that of the F.L.R.A., fringe alienation and the new land scheme. It has been estimated that about 13,900 families have to be settled on newly opened up land in Malaya annually over the period of the plan. But this only considers the unemployment problem. The problem of ruralization of labor or underemployment is also important and this arises mainly because of the unproductive (acresage) holdings of quite a large number of our farmers. To meet these two problems especially that of unemployment the Plan anticipates the opening up of 400,000 to 450,000 acres of land during a five year period of implementation.

Chapter I

The 1966 - 70 Employment Targets in West Malaysia

The preliminary estimates of labor force for 1965 was 2,678,000. It is expected that labor force will increase by 377,000 or 14.1% over the Period of the Plan so that by the end of the period there would be 3,055,000 in West Malaysia labor force. The government planned to accommodate into employment all this increase in labor force by a planned creation of employment opportunities at a rate of 2.8% annually to meet this 2.7% annual growth rate in labor force. If this target is achieved then the numbers unemployed would be maintained at around 160,000 and its rate reduced from 6.0% to 5.2% by 1970.

Sectoral targets

Various sectors of the economy were accorded varying roles to attaining this employment objective. Specific sectoral employment target apparently is based on specific sectors' past performance and its potentiality as well as the economic policies and programmes pursued by the government. Agricultural sector for example had traditionally played a significant role in employment providing as much as more than half of the jobs of all the employed, but the urgent need to diversify and widen the base of the economy and the immediate imperative need to create more jobs have resulted in increased emphasis on industrialisation and the development of the tertiary sectors.

Agricultural sector: Employment targets and achievements

The plan laid a strong emphasis and substantially heavy reliance on agriculture to absorb majority of the increase in labor force. But such reliance accorded to agriculture is relatively less emphasised compared to that as in the second Malaya Five Year Plan. The first Malaysian Plan has required agricultural sector to absorb only 165,000 or 43.77% of the 377,000 projected increase in labor force as against the corresponding figure of 140,000 in the prior plan. To achieve its 43.77% employment target the sector has to generate within itself employment opportunities at an average annual growth rate of 2.3%. The attainment of this target will mean that by 1970 53.63% or 1,553,000 of the estimated total employed of 2,895,000 will be in agriculture.

The major means towards accomplishing this target is through land development scheme, especially that of the F.L.D.A., fringe alienation and the youth land scheme. It has been estimated that about 13,000 families have to be settled on newly opened up land in Malaya annually over the period of the plan. But this only considers the unemployment problem. The problem of underutilisation of labor or underemployment is also important and this arises mainly because of the uneconomic (acreage) holdings of quite a large number of our farmers. To meet these two problems especially that of unemployment the Plan anticipates the opening up of 400,000 to 450,000 acres of land during its five year period of implementation.

The F.L.D.A. is expected to open up 141,000 acres to settle 11,750 families in the five year period. This means that the target is such that an average number of only 2,350 families will be settled on an average 28,000 acres developed annually. The acreage to be developed through government schemes will be equally important for they will cover 150,000 acres to cater for 21,000 families. The remaining acres were expected to be developed by the private sector.

During the first three years of actual Plan implementation the F.L.D.A. opened up and developed 90,400 acres or 64.17% of the targeted total acreage for the five year period, settling 6,600 families. Hence the authority had developed more than 30,000 acres annually, which is far more than its annual target of 28,200 acres.

The pace of new land development through various state schemes have however slowed down during the period under review compared to that in 1962 - 1965. This is especially so of the fringe alienation schemes. Between 1961 and 1965, 336 additional schemes were undertaken settling an additional 21,294 families. On an average therefore 67 schemes were undertaken annually settling more than 4,200 families yearly. However between 1965 - 1967 30 additional schemes were undertaken affecting only 1,521 families, so that yearly the average number of scheme carried out and that of families settled were respectively only 15 and 760, which is considerably far below the achievements in the prior plan. It is not known as to the actual acreage and family targets for fringe alienation schemes so that it is difficult to say whether it has been successful or not. But taking its performance of the past two years (1965 @ 1967) against the extent of unemployment and underemployment, in the agriculturak sector, clearly then land development of the fringe alienation types have not been satisfactory.

Taking the various land alienation scheme together (inclusive of fringe alienation exclusive of F.L.D.A.) The overall performance seemed to be well below the Plan targets. Data for 1966 is not available, but between 1967 and 1968, 74 additional scheme were undertaken covering an additional planted acreage of only 17,369 acres accomodating only 2,838 families. According to the Plan annual average land development in these various schemes should be by order of 30,000 acres, settling 4,200 families.

Land alienation by the private sector for estate purposes have increased " from the very slow rates of earlier years ". However no data is given in the Mid Term Review and since land is a state matter it is difficult to obtain a detailed and general data for the whole of West Malaysia. However the area alienated by the private sector for mining purposes increased by 20 sq. miles from 540 sq. miles in 1965 to 560 sq. miles in 1966. That alienated for other purposes especially palm oil increased by 410 sq. miles or 274,000 acres from 1965 to 1966.

The extent of the need for increased land development in agricultural sector is clearly expressed in the Mid Term Riview of the Plan. As early as

1961, Professor Silcock⁺ had estimated that at least 350 square miles or 234,000 acres of new land have to be developed annually to meet the demand of expanding labor force. According to the Review, the agricultural labor force is expanding at such a rate that at least 20,000 new job opportunities have to be generated annually (for the five year plan period) to provide full time employment to these new entrants of job seekers. And if the problem of under-employment is to be tackled too then at least 30,000 new jobs have to be created in the agricultural sector (inclusively fishing and forestry). Assuming that "half of these are to be provided through programmes of land development which allot 8 acres per worker, then 120,000 acres must be brought into cultivation annually."

The achievements as we had examined earlier were below targets. Taking just the employment need of 20,000 jobs per year in agricultural sector, the performance of this sector during the three years of operation had been such that only 15,000 or 75% of the 20,000 job needs were met, annually. What about the performance of other sectors?

Industrial or Manufacturing Sector

Agricultural sector obviously cannot by itself be expected to provide more employment opportunities than it is capable of generating. The manufacturing sector too would have to play its part, despite its only recent development.

In 1963 for example, the manufacturing sector contributed to only 9.1% to the GDP at current factor cost. Despite this small base in which it operates, the Plan estimated that 36,000 or 9.6% of the 377,000 increase in labor force will be absorbed in this sector. Such a target would be achieved if the industrial employment grows at a rate of 3.9% annually over the five year period so that by 1970 these would be 209,000 or 7.22% employed in the industrial sector.

The development of our manufacturing sector had been one more of a private enterprise affair than a public one, so that how far and in what direction it had developed and progressed depended very much on the response given by the private sector to the incentives and facilities provided by the government and the potentialities existing and will exist here.

The overall performance of this sector again like the agricultural sector had been below targets. Between 1965 and 1967, the actual average annual growth rate of employment was only 3.0% as against plan target of 3.9% so that only 5,500 jobs were created annually as against plan target of 7,200. Thus in two years the sector created only 11,000 jobs and unless 25,000 more jobs were created for the other three years (68, 69 & 70) the sector cannot be expected to achieve its target.

Other industries and services. Hence it is not possible to identify each of the three sectors (a, b, and c) actual employment position for 1965, is to their performance during the three years of plan operation the Review cannot that

⁺ Readings in Malayan Economy. "Political Economics of Independent Malaya"

Silcock (edited) Eastern University Press.

Mining Sector: The service sector as a whole recorded employment growth rate of 2.3%. It is expected also that the construction sector recorded employment growth rate of 2.3%.

The plan projected that employment in the mining sector will continue around 1965 figure (61,000) up to 1970, so that the mining sector will definitely make no contribution what so ever to employment over the plan period. Taking the tin mining industry it is unlikely for production and employment in this industry to expand unless of course there is "discovery and mining of this in Malay Reservations and in the off shore". In fact according to the Plan production of tin is expected to fall from 70,000 tons to only 57,000 in 1970 at an average annual rate of decline of 4.0% over the plan period. The prospects for iron ore is no less worse off. In 1963 the iron ore output reached its height of 7.3 million tons but this declined to 6.5 million tons in 1965 and the Plan estimated iron ore production to fall further to a mere 3.0 million tons by 1970.

In 1965 mining sector employed 61,000 people or 2.3% of the total actually employed of 2,599,000 in West Malaysia. In terms of absolute numbers and percentage use its contribution is therefore relatively insignificant and with the prospective decline in production of tin and iron ore other sectors would have a greater employment burden then.

Construction Utilities and transport

The preliminary estimates of employment in these three industries for 1965 was 210,000. The plan projected employment in this sector to increase by 20% over the plan period to 252,000 by 1970.

Public administration and defence

It is estimated that employment in this sector will grow by 21.4% from 257,000 in 1965 (preliminary) to 312,000 by 1970.

Other Services

Employment in the "other services" too had been targeted to increase annually at a rate of 3.7% so that at least 508,000 people will be employed in this sector by 1970.

No data what so ever is given in the Review to show the actual employment performance for this "other sectors", for the first three years of plan implementation. Even the 1965 actual employment figure for various sectors in the economy as given in the Review have made things difficult because of the differences in classification of sectors. In the Review these three sectors - (a) Construction utilities and transport (b) Public administration and defence and (c) "other services" - have been lumped together into two sectors namely "other industries" and "services". Hence it is not possible to identify each of the three sectors (a, b, and c) actual employment position for 1965. As to their performance during the three years of plan operation the Review comment that "the rate of growth of government employment has been much less rapid in the last three years compared with the situation in the early sixties because of the substantial progess already made in establishing defence, administration and

infrastructure. The service sector as a whole recorded employment growth rate of 6.7%. It is expected also that the construction sector recorded employment growth rate that is less than that targeted because of the slack in the economy in 1966 and 1967, as a result of which a number of residential building manufacturing, infrastructure and public construction projects were deferred.

For the economy as a whole, the overall performance in term of employment had not been compatible with the plan targets. Even in the traditionally important sector of the agriculture the generation of employment opportunities had been less than required. It is obvious that the direct result of this situation is increasing and large numbers and percentage of labor force being unemployed.

The preliminary estimates of labor force figure for 1965 as given in the Plan appeared to be substantially underestimated. It seems the figures had been drawn up with a view that labor force would grow by 18.58% to reach 2,678,000 by 1965 from 2,317,000¹ figure for 1966. The actual increase in labor force had in fact been 20.59% so that the actual 1966 labor force was 2,774,000² which quite far off the margin from the 1965 estimated figure. Because possibly of this relatively wide margin of divergence between the actual and the estimated figure for labor force, the actual number of jobs required and that planned for to be created would also would not have been consistent with each other. Hence we have this problem of unemployment.

The high growth rate of labor force between 1960 to 1965 seemed to have persisted for the three years of the plan operation. Though officially there is no latest and comprehensive, detailed employment data, yet several facts seem to suggest so. For example in mid 1967, of the population in age group (working age group) 15 - 64 years 10% or 1,138,381 are between 10 - 14 years. Quite a number of them in the age group will enter working age by end of 1970. Further more there is already a large number of the younger section of our population in working age. There were 10,550 or 0.11% of the population of between 10 to 19 years of age. In addition for those in schools, not a high percentage manage to continue studying further after their such various examinations as S.C., L.C.E., H.C.E. and to some extent H.S.C.

Consider L.C.E. In this examination those who obtained a grade A are sure of getting a place in Form IV but those with grade B will either get a place, if so in vocational schools or not at all. But for those who got a C or failed totally (grade X) they either sit again for the examination or start looking for jobs. The numbers and percentage of those in the latter two grades (C and X) had not only been increasing since 1966, but also that they formed a large proportion of the total number who registered and sat for the examinations. In 1966, 21,101 or 20% of the 74,284 who sat for the

¹ Plan, 1960.

² Survey 1968.

³ Estimation of Population West Malaysia - 1967: March 1969 Issues Research Paper No. 1

⁴ Data obtained from Examination Syndicate.

⁵ The number who registered and who actually sat for the examination is not the same because of absences, but the number of absences taken as a whole is negligible.

Chapter II

Unemployment, Employment and Labor force

Failure of the various sectors of the economy to achieve their employment targets is not the only reason for the existence of a large mass of unemployed we shall discover later. The most important reason as it appears to me is the failure of the planners to make a sufficiently reliable and correct approximation of the projected growth of labor force and hence therefore the prospective employment needs or opportunities (in absolute numbers).

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Consider L.C.E. In this examination those who obtained a grade A are sure of getting a place in Form IV but those with grade B will either get a place, if so in vocational schools or not at all. But for those who got a C or failed totally (grade X) they either sit again for the examination or start looking for jobs. The numbers and percentage of those in the latter two grades (C and X) had not only been increasing since 1966, but also that they formed a large proportion of the total number who registered and sat for the examinations. In 1966, 41,191 or 56% of the 74,224 who sat for the

+1 Plan, 1965.

+2 Review 1969.

+3 Estimates of Population West Malaysia - 1967: March 1969 issue: Research Paper No. 1

+4 Data obtained from Examination Syndicate.

+5 The number who registered and who actually sat for the examination is not the same because of absentees, but the number of absentees taken as a whole is negligible.

examinations obtained either a C or an X and their "population" increased to 46,701 or 57.4% of the total 81,292 who entered for the examinations in 1967. The position for 1968 was worse still. Though there were more numbers of pupil getting either A or B yet the number of those who got either C or X shot up to 51,741 or 57.57% of 89,839 who registered for the examination. But these figures are only for the English medium (both private students and students in fully assisted schools)

The Malay medium school result show almost the same general trend. 11,602 of the 25,352 who entered for the examinations in 1966 got either C or X. This category of students increased in numbers to 24,135 or 52.16% of the total 46,285 registering for the examination in 1967. Again like the English medium results, the 1968 result too showed greater number and percentage of these obtaining merely a C or X. There were 27,739 or 55.52% of them after the results of 1968 examination had been made known.

In addition to this possible number of job seekers who either failed the L.C.E. or merely obtained a low grade, there were also those in roughly similar position from the S.C. and/or M.C.E. examinations. There seemed to be an increasing number of students sitting for this examination (S.C. only) both either as private students or in fully assisted schools, and an increasing and large number too of those who either failed, obtained grade III or just receiving a G.C.E.¹ In 1966 of those 27,590 who entered for only S.C. examination English Medium (both either as private candidates or in fully assisted schools) 20,531 or 74.42% obtained merely either a grade III or G.C.E. or failed. This group of students increased tremendously in numbers in 1967. There were 25,546 of them or 64.18% of the total 39,806 who sat in that year. In 1968, only for fully assisted schools there were 14,081 of them out of 23,703 who entered for the examination.

The Malay medium entrants (as private candidates or in fully assisted schools) seemed to record a highest percentage of those obtaining the grades we specified above. In 1966 of the 9,208 who sat for S.P.M. (Sijil Pelajaran Malaysia), 91% or 8,393 got either Pangkat III or G.C.E. or failed totally. In 1967, there were 12,600 of them or 90.76% of the total 13,879 who sat for the examinations.

Hence from above figures, for both L.C.E. and S.C. and also for Malay medium (S.P.M.) examinations, after allowing for the fact that some of those in the various grades mentioned will re-sit their examinations, the fact remains that majority of them will have sought employment.

Employment:

Employment recorded an absolute growth of 425,000 or 19.54% over the five year period since 1960. Though this percentage growth rate in employment is high it is however lower than the corresponding figure for labor force (20.5%). Due to such lag between employment growth rate

+1 Those involved in this categories relatively have little chance of 'going further' except to look for jobs.

+2 Plan

and that of labor force, we therefore have this unemployment problem. Unemployment thus increased from 6.0% in 1960 to 6.3% in 1965. In absolute terms there were only 138,000 unemployed in 1960 as against 175,000 in 1965.⁺¹ If the number of unemployed are to be maintained at the same absolute figure of 1965 then based on the recent trend of the rate of growth of labor force and assuming it to generally continue to be so within the Plan period then about 554,000 additional jobs have to be created by 1970.

Unemployment - detailed analysis

No data on employment and unemployment is available for year 1968. The only available data is that obtained as results of the first sub-round (of the three sub-rounds to be conducted) of the West Malaysia Socio Economic Survey. The data apart from being provisional is also only for 1967.

In the absence of other sources of data we have alternative but to resort to the provisional one. In the data "Unemployed" are classified into two categories viz (1) those actively looking for a job and (2) those not actively looking for a job but will accept job if offered one. These figures are separately given in the data. In this analysis unemployed or unemployment will refer to the first category type - unless otherwise specifically mentioned.

Unemployment in rural, urban and metropolitan areas.

In 1967 according to the survey there were 2,675,620 in the labor force and of this, 180,867 or 6.7% were unemployed. The inclusion of the second category unemployed would drive unemployment rate up to 8.81% which indeed is a tremendous figure.

From the data it is realised that though the largest number and highest rate of unemployment are from the rural areas, yet the percentage unemployed within the rural labor force is relatively lower than that in either urban or metropolitan areas. For example 54.80% or 99,081 of the total unemployed of 180,867 were from rural areas yet as a percentage of total rural labor force this 99,081 unemployed represented only 5.73%. Whereas within the metropolitan areas the unemployment rate was 9.98% and the corresponding rate for urban areas 9.73%. In absolute terms 40,261 of the 403,291 metropolitan labor force were unemployed, that for urban is 41,525 of 426,814 of its labor force. Thus while the unemployment problem is relatively very serious in rural than in other areas, yet the high rates of unemployed within the metropolitan and urban areas, especially within the former (metropolitan) is as serious because the large numbers of unemployed are concentrated or crowded in the five large towns as against the more widespread feature of the rural areas.

A comparison with other years data tend to show that the high incidence of unemployment in the metropolitan areas has indeed worsened - so for urban areas. In 1965, 9.78% or 37,005 of the metropolitan labor force were unemployed whereas it was higher, 9.98% or 40,261 two years later. In 1962 the unemployment rate for urban areas was already high

⁺¹ Review 1969.

at 8.09% (or 22,921) and this further worsened in 1967 when the corresponding rate rose to 9.73% (or 41,525). Unemployment in rural areas showed an increase in absolute number and rates too and the rise in rate of unemployed was from 5.00% in 1962 to 5.73% in 1967.

The fact that rural areas seemed to have a lower unemployment rate among its labor force relative to other areas could partly be due to the fact that there is much greater possibility for the unemployed in the rural areas to be underemployed, compared to that in urban areas and cities. In the latter environment if one is unemployed, the possibilities for underemployment are not that great and easy. Secondly, the increasing number and a high rate of unemployed in the urban areas (including metropolitan areas) could have been the result of possible rural urban migration and the process of urbanization. Whatever it is there is a greater number and greater percentage of people unemployed than before and of the people unemployed there is one peculiar feature about majority of them.

Youthful Unemployed

There seems to be an increasing and large number of young people and school leavers entering the labor force between 1962 and 1967. Further more a large majority of the present unemployed are youths and young men. There were only 13.53% or 331,967 of the total labor force of 2,453,292 in 1962 of between 15 to 19 years age. Their numbers and percentage increased to 429,459 or 16.01% of 1967 labor force. Yet of the total employment of 2,305,733 in 1962 only 11.90% of the jobs or 274,381 were held by males and females in the (15 - 19) age bracket. In 1967, total employment was 2,443,253 yet only 311,307 or 12.74% of the jobs accrued to the people in (15 - 19) age bracket, despite the fact that they formed 16.01% or 429,459 of the total labor force. This wide gap between the rate of employment absorption of these young people and that of their numbers entering the labor force has given rise to a situation where a large proportion and number of the unemployed were such young people. There were 39.03% or 57,536 of the total unemployed in this age bracket. In 1967 they formed 50.53% or 93,283 of the total 184,391 unemployed.

The incidence of unemployment among young men of 20 - 24 years is serious too though not equally serious as that of those between 15 to 19 years of age. In 1967 for example males and females in age bracket 20 - 24 accounted for 15.57% or 417,749 of the total labor force. Yet the numbers and proportion in employment for this age bracket was respectively only 360,882 or 14.77% giving rise therefore to 46,459 of them being unemployed and this is 25.2% of the total unemployed in that year.

Combining the age brackets (15 - 19) and (20 - 24) together we notice that a considerably large percentage and numbers of unemployed were between 15 and 24 years in 1967, for in that year alone such age group formed 75.78% or 139,742 of the total unemployed in that year. Such a situation is a relatively very serious one compared to that in 1962 for in that year the corresponding figures were 63.23% and 93,390.

The break down by areas — urban, metropolitan and rural — will show the same general feature. The rural areas have the highest proportion and number unemployed, in this 15 — 24 age group. In 1962, 63.01% or 57,336 of the total employed within the rural labor force were in this age group and in 1967 their numbers shot up to 79,503 forming 78.61% of the total unemployed of that sector alone. In the metropolitan areas 72.07% or 29,398 of its labor force unemployed come from those between 15 — 24 years old (for 1967). As for the urban areas their numbers more than doubled from the 1962 figure. In 1962 these chaps formed only 14,984 or 65.40% of the total unemployed in that (urban) areas labor force but in 1967 there were 30,841 or 72.63%.

This phenomenon of large and increasing number of youthful and young unemployed seemed not to alter substantially in the first few months of 1968 as reflected by the figures of registered unemployed at the employment exchanges. Though it is realised that such services are available mostly if not practically in large towns — i.e. not sufficiently widespread geographically — at least the examination of the age structure of the data would somewhat give us an idea of what we need to know. As at December 1967,¹ of the total 120,485 registered unemployed, 60,718 or 50.4% of them are those of less than 21 years of age ('youth'). Another 29.39% or 35,408 are those between 21 — 30 years old. Hence almost 80% of the registered unemployed for that year came from people under 30 years old. The position 3 months later seemed not to improve. As at 31st. March 1968² registered unemployed totalled 127,601 which was an increase by 7,000 from the end of 1967 figure of 120,485. 67,418 or 52.84% of the 127,601 unemployed were youths (less than 21 years). Further more during the month of March of the same year, of the total number of job seekers of 12,347 who registered for the first time for that month, 57.40% or 7,091 were youths.

The existence of large mass of youthful unemployed seem to suggest the existence of structural unemployment problem which arises due to the inability of the economy to provide sufficient employment opportunities. It is not sufficient for us to examine the age structure of the unemployed to reach the above conclusion; a look into the duration of unemployment is also needed.

No recent data is available on this matter of time period of being unemployed. The provisional data of 1967 failed to break it down into how long the unemployed continued to be so. Only 1965 data is available and even here it confines to only metropolitan areas. According to the data in the report,³ 33% of males unemployed had been unemployed for more than one year and 53% for more than six months. The corresponding figures for females seem to be roughly the same. But what seems important

+1 Handbook of Labor Statistics, 1967: Ministry of Labor.

+2 Monthly Labor Report, March 1968: Ministry of Labor.

+3 Report on employment and unemployment in metropolitan towns, states of Malaya 1965: Statics Department.

is that 28.98% of the males unemployed of age group 15 - 19 had remained so far more than one year and that for females is 41.31%.

It is not possible for us to say whether such a trend of situation has not or has continued up to 1966, 1967 and 1968 either for metropolitan areas or for the whole economy. However this absence of data does not alter the fact unemployment is getting serious especially among the youths and young men in agricultural, urban and rural areas; and the rates of unemployment are relatively higher in urban and metropolitan areas compared to that of rural one. But why is this so?

Urban Unemployed, Migration and Urbanization.

The high and increasing rates that we spoke of above might have been due to the process of urbanization and rural urban (and metropolitan) migration.

It is possible to conceive that urbanization had taken place and had occurred quite rapidly between 1962 and 1967 as perhaps is reflected by large and increasing number and proportion of the economy's labor force coming from the urban and metropolitan areas. Suppose for this very purpose we combine the urban areas and that of metropolitan together and called them as "urban areas".⁺¹ Then in 1962, 25.88% or 634,678 of the 2,453,292 labor force of that year were from "urban areas" and this substantially shor up to 820,797 or 31.24% of the 1967 labor force of 2,627,644. The rural areas share of labor force though in absolute numbers and percentage are large, had however declined from 1962 to 1967. 75.12% or 1,818,499 of the 1962 country's labor force were from rural areas but in 1967 the corresponding figures were respectively only 72.76% or 1,806,847 - hence there was a fall in absolute numbers too.

The above seemed to suggest that urbanization process is not the only reason for such a phenomenon. Rural urban migration might have made its own contribution to this and there are strong reasons for us to believe so though we cannot possibly say on what scale such migration had proceed so far. The possible reasons are set down below.

(1) Firstly, there is the existence of not only a high proportion of first category unemployed but also that of second category⁺² ones - in urban areas compared to that existing in rural areas. In the rural areas even though there is much greater number of unemployed in second category (which seemed to reflect under employment) yet they formed only 2.012% of agricultural (rural) labor force as against the corresponding rate for urban areas - in 1967. This relatively higher rate of second category

+1 For this purpose urban areas will be used in inverted comas further term without inverted comas refer only to urban areas proper, on excluding metropolitan areas.

+2 West Malaysia Socio-Economic Survey of Households. 1967/1968:

Department of Statistics, K.L.

+3 The writer beleives that underemployment is apparently concealed in the second category unemployed.

unemployed within the urban labor force suggest the existence of quite a substantial incidence of underemployment here. Such underemployment might have arisen because of lack of job opportunities in urban areas to allow for migrants to be fully employed and also because those who migrate are either partly skilled or totally unskilled. This "lack of skills" therefore limit the choice of employment outlets to "petty trading, taxi driving, trishaw pedalling, hawking of foodstuffs and domestic service. In other words the relatively high rate of underemployment within the urban areas might have been partly due to the inflow of unskilled and partly skilled jobseekers from rural areas.

(2) Another possible reason is that of the existence of a vast income and productivity gap between the agricultural and non-agricultural workers. It had been made known to us that "output per worker in agriculture continues to lag far behind productivity levels of workers in the non-agricultural sector — low output implies low level of per capita family income. It is estimated that the value of output per man in West Malaysia agriculture (including forestry and fishing) in 1968 was less than half the value of output per worker in other parts of the economy. This vast income and productivity difference might have provided the push or the impetus to move — migrate to the 'urban areas'. The existence of additional attraction in the towns which generally have such facilities as adequate shopping means, entertainment, piped water supply, electricity, proper sanitation, good schools and roads could also have been a contributory factor.

The greater possibilities of unemployment opportunities in the urban areas could also have attracted rural unemployed to move there. This is partly because of the concentration of government investment activities in the towns and the operation of such activities from the urban centres. There is a rapid development of governmental activities in its efforts to implement the various development plans and these activities -- building of bridges, airports, schools, medical centers, mosques etc. "even if not sited in urban centres have been operated and maintained from them. MARA, FAMA, FLDA intended primarily for rural development have all been housed in the Federal capital with branches in other urban centres in the country.⁺³ Further more the possibility of being absorbed in the expanding defence and internal security sector of the economy serve as an added pull more so when the policy of the government is to favour Malay recruits and also because of the "indifference attitude of Chienese youths for employment in armed forces.⁺⁴

The analysis of the distribution (geographically) of employment exchange services (or centres) brings out one very important point; that there exist an imbalance and improper spread of such services, between participation that the potential settler be married and have also an agricultural background. Obviously the secondary school leavers are the mainstay of the new immigrants. "Urbanization in Malaysia" Asian Studies 1967.

+1 Hamzah Sendut article "Contemporary Urbanization in Malaysia" Asian Studies 1967.

+2 Review - 1939.

+2 Review - 1939.
+3 Dr. Lim Chong Yah "Economic Development of Modern Malaya" Oxford University Press 1967.

+4. Dr. Saw and Ma. "1957 Population Census".

rural and urban areas (and between the States of West Malaysia itself, for example, there are only three major employment exchange centres in the three East Coast States - Kelantan, Pahang and Trengganu as against four in Selangor only).⁺¹ Within each specific State the exchange centres are either located in towns or in major towns and urban centres. In Selangor for example, in 1967 there were four major employment exchanges and all four are concentrated in such major towns and centres as Kuala Lumpur, Petaling Jaya, Rawang and Port Swettenham. In Malacca the only one major exchange centre is again allocated in the town - Malacca town. This locational problem and the lack of adequate exchange services for rural unemployed places them in a relatively disadvantageous position compared to their counterparts in the towns, where such services are more than available. This is so because in a majority of cases and instances, the existence of job vacancies either in private and/or public sectors is made known to the employment offices. In the calling up for interviews etc. preference will be given to those already registered with the various exchanges. Those who had not registered because of lack of such services in their areas would naturally be left out. This indeed could provide the force for rural unemployed to move out to towns. This is more so when there is greater and wider information on potential and existing job vacancies in the town areas. As a consequence of this lack of services in the rural areas we note that in 1966⁺² only there were 15,926 vacancies notified throughout all the major employment exchange offices and a considerable majority of them - 14,510 were filled, again through these exchanges. So for 1967 when 10,708 job openings were taken up out of the 12,101 vacancies notified at the various centers.

Apart from this lack of opportunities or facilities, the rural unemployed are also relatively unfortunate because most of the jobs newly created originate from the urban sectors. In 1967 for example of the total 12,101 vacancies and for various occupations only 797 or 6.58% were from agricultural occupations, compared to 1553 in professional, technical and administrative, 1344 in services and 2,535 in clerical jobs - majority of which would obviously come or originate from the non-agricultural sector.

There are yet other possible and strong reasons for believing that rural unemployed especially the youthful unemployed are and have migrated to towns and this is partly the outcome of the kind and pattern of education they have and are receiving. According to Kanapathy, "the existence of certain deficiencies in our educational was (resulted) in students from secondary schools tending to move to towns in search for white collar and brief case jobs" because "the pattern of education is such that they are not mentally equipped to associate themselves with rural renaissance". Further more the various important land development schemes in the agricultural sector demand as a necessary condition for participation that the potential settler be married and have also an agricultural background. Obviously the secondary school leavers there

+1 Handbook of Labor Statistics 1967: Ministry of Labor.

+2 Handbook of Labor Statistics 1967: Ministry of Labor.

+3 U.M.B.C. Economic Review. Vol IV No. 2 December 1968

would not be selected and even if some of them are selected for the Youth land schemes, the number of schemes and acreage developed are relatively insignificant as not to make any impact on the problem of rural unemployment.

The problem of unemployment, its nature have been analysed. But what are the possible reasons for its very existence in such numbers and of such nature as elaborated earlier? The only reason, it may exist, to some extent not because of lack of job opportunities but because of lack of or absence of suitably qualified people to fill in the vacancies existing. Furthermore employment will further exist if projects and programmes designed to create and generate further employment opportunities could not be planned and implemented (or if implemented failed) because of shortage of the requisite man power.

The main reason for the existence of a vast extent of unemployment as analysed in the prior chapter seem to be the failure to create sufficient job opportunities. This failure arises because the rate of public and private development expenditure - investment and consumption - targets have not been fully attained for the three years operation of the Plan. Furthermore the expansion of employment opportunities was restricted because of the existence of a "significant magnitude" of excess or under-utilised capacity in various sectors of the economy - because of the slack arising from the low performance of the export sector. The crux of the matter is the financial problem.

Financial Problem: Development Targets

The plan anticipates the creation of 90,000 jobs annually over the five year period of the Plan (for West Malaysia only). To achieve this its investment and development expenditure targets have to be attained. To meet the target the plan estimates the need for total development expenditure of \$10,500 million (both public and private). The public sector will spend \$4550 million and the rest \$5950 million will be the private sectors responsibility. Of the \$4550 million to be spent by the public sector an estimated sum of \$3,470 million will be spent on physical capital formation in the public sector. Apart from this \$3,470 million an additional \$100 million of public capital formation will be undertaken too but will be financed out of ordinary budget. Hence the target public capital formation is \$3570 million. The target private capital formation however, is much higher - \$6,180 million. Hence overall, out of \$10,500 million estimated total development expenditure a considerable amount of it of \$9880 million will be devoted to capital formation.

Funds for financing any expenditure either come from revenue (taxes), reserves and surplus or through borrowing, both foreign and domestic. To finance its share of development expenditure of \$4550 million the public sector would have to resort to considerable borrowing both abroad and locally. At least \$3125 million or 69% of its share of development expenditure will have to come from loans and grants. \$1500 million of the needed loans and grants will come from foreign sources, \$1000 million in loan and \$500 million in grants. The private sector too have to rely though not considerably on borrowing. About \$500 million will be in form of bank loans and \$1000 million in private long term capital inflow. The data below summarizes the various sources of public and private sector's finance.

Possible Reasons for Unemployment

The problem of unemployment generally exists because the creation of employment opportunities is less than that required by people looking (actively) for jobs. Yet this not the only reason. It may exist, to some extent not because of lack of job opportunities but because of lack of or absence of suitably qualified people to fill in the vacancies existing. Furthermore employment will further exist if projects and programmes designed to create and generate further employment opportunities could not be planned and implemented (or if implemented failed) because of shortage of the requisite man power.

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[†]1 Review, 1969.

\$1730 Resources for financing public development expenditure (\$m) is well below the target.

Government surpluses	200
Public authorities surpluses	425
Domestic non-bank borrowing	1025
Bank credit and government accumulated assets	1000
Foreign borrowing (net)	1000
Foreign Grants	900
TOTAL	4550

The (current) volume of production for domestic use grew by about 8% per annum as planned, but the achievement of such a rate was not because of a large growth in volume of production (which in fact was slower than planned). The volume of domestic product ... increased a little faster than projected in the Plan. The low rate of growth by volume of domestic production was the result of excess capacity due to the slow rate of growth of aggregate demand.

Overall, according to the Review "real consumption and investment grew at a slower rate than planned in consequence there was a markedly small increase in the volume of production. The rate of growth of production for domestic use was slower than planned. Consumption and investment also grew less rapidly than forecast."

Financing of private investment 1966 - 70 (\$ million)

	<u>Cumulative Total</u>
Self financing and other non-bank financing sources	4,450
Bank lending to private sector	500
Investment finance to domestic sector	4,950
Government transfer and loans to private sector	210
Total domestic financing	5,160
Private long term capital inflow	1,000
Total private investment	6,160

This has affected government revenue and government surplus and hence affecting the development expenditure as well. Government current surplus fell from \$184 million in 1966 to \$135 million in 1967 and fell further to only \$66 million in 1968. Though government revenue has increased since 1966, it is still small considering bearing recurrent and development expenditure programmes of the government. Hence while government revenue increased from \$2,125 million in 1967 to only \$2,186 million in 1968, the deficit in public sector finance increased from \$201 million in 1967 to \$273 million in 1968.

Source: First Malaysian Plan 1965.

Investment, Consumption and Public Development Expenditure 1966 - 1968

Between 1966 to 1968, the public development expenditure had not met the targets. On an average at least 60% or \$2730 million of the total development should have been spent in the relevant three years. Yet the actual achievement rate was only 55.1% involving only \$2,509 million. We noted earlier that \$3570 million of the \$4550 million public sector share of development expenditure will go public physical capital formation. For this purpose the plan projected that between 1966 to 1968 an expenditure of \$2,142 million will be undertaken yet the actual expenditure was only

\$1739 million reflecting an achievement rate of only 81.2% - which is well below the target.

Private investment too showed low performance. In 1966 private investment grew by 11% - and this is because of the large amount of resources available to it as a result of the tremendous growth of exports in 1965. But in 1967 and 1968 private investment grew by only 4% annually. As for consumption in general its rate of growth by volume during 1966 - 68 was 1.2% - which is lower than in the period 1961 - 65; and this is mainly because of much slower rate of growth of public consumption. The latter was over 12% per annum between 1961 - 65 compared to 8.4% rate of the period (3 years 66 - 68) under review.

The (current) volume of production for domestic use grew by about 8% per annum as planned, but the achievement of such a rate was not because of a large growth in volume of production (which in fact was relatively low) but because "prices of domestic product increased a little faster than projected in the Plan".⁺¹ The low rate of growth by volume of domestic production was the result of excess capacity due to the slow rate of growth of aggregate demand.

Overall, according to the Review "real consumption and investment grew at a slower rate than planned in consequence there was a markedly smaller improvement in the volume of goods and services produced locally for domestic use". Even "at current prices consumption and investment also grew less rapidly than foreseen."

The main reason for this lack of achievement is the relatively low rate of export performance. In the country's export receipts, the contribution by "services" its total is not as important as that contributed by merchandise exports. But the merchandise exports had not yearly been growing substantially during 66, 67, and 68 though the cumulative total for the three years is more than that of plan target. We see that in the current account Balance of Payments for years 1965, 1966, 1967 and 1968 (estimates) the total volume of exports (f.o.b.) were \$3,752 million, \$3,808 million, \$3,679 million and \$2,186 million respectively. Thus we note that not only was there a decline in exports for 1967 and 1968 but that the latter two years performance were each well below that of 1965. This has affected government revenue and government surplus and hence affecting the development expenditure as well. Government current surplus fell from \$184 million in 1966 to \$135 million in 1967 and fell further to only \$96 million in 1968. Though government revenue has increased steadily, the increase was relatively small considering heavy recurrent and development expenditure programmes of the government. Hence while government revenue increased from \$2,128 million in 1967 to only \$2,186 million the deficit in public sector finance increased from \$601 million in 1967 to \$677 million in 1968. It is because of this increasing deficit that for the whole of three years '66 - '68 the annual average development expenditure was less than the corresponding plan target of \$910 million. See table.

+1 Monthly Statistical Bulletin, March 1969, Statistics Department, S.L.

+1 Review - 1969.

+2 Review - 1969.

Malaysia: Consolidated Public Sector Finance 1966 - 1968

	1965	1966	1967	1968	cumulative total (66-68)	Plan cumulative total (66-68)
Government current revenue	1754	1932	2128	2186	6246	5580
Government current expenditure	1639	1748	1993	2090	5831	5410
Government current surplus	115	184	135	96	415	170
Surplus of public corporations	44	46	49	64	159	216
Public sector current surplus	159	230	184	160	574	386
Development expenditure	753	813	785	837	2435	2730
Overall deficit	-593	-583	-601	-677	-1861	-2344

Source: Review 1969

Rubber and Tin

The main reason for this low rate of export receipts was the fall of tin, palm oil and rubber prices especially that of tin. Rubber price⁺¹ (R.S.S. I) fell from average 70.03 cts per lb. in 1965 to 65.33 cts in 1966. It fell lower still - to only 54.08 cts in 1967 and 53.12 cts in 1968. It must be realised that rubber is important to us that "a fall in price by 1 cent per lb.⁺² is estimated to reduce Malaysian export earnings by \$25 million a year. Because of the decline trend in rubber prices, export receipts from rubber increased at smaller rate even though rubber production continued to increase at an average 6% per annum. As for tin, production⁺³ (for West Malaysia only) continued to rise steadily from 63,670 tons in 1965 to 68,886 tons in 1967. The 1967 production was 72,121 tons. (1968 production data - not available). But tin prices however showed a decline tendency. At the Straits Tin Market average monthly tin price per ton was £1,377.6 in 1965. Tin fell to only £1,264.7 in 1966 and rose back slightly to £1,371.8 in 1967 yet this price is still lower than that of 1965. From February to December 1968, the average monthly tin price was only £1,287.2 .

Source: Review

- +1 Monthly Statistical Bulletin of West Malaysia. March 1969. Department of Statistics K.L.
- +2 "Monetary System of Singapore and Malaysia" JFURCAL (edited) Department of extra-mural studies, University of Singapore.
- +3 Monthly Statistical Bulletin, March 1969, Statistics Department. K.L.

The tendency for both tin and rubber prices to fall is serious for these two commodities formed the main sustenance of our economy. In 1965, 55% of the nation's exports, and 30% of the gross national product came from these two commodities. As for palm oil production and exports grew steadily during the three years of plan operation. Exports for example grew from 139,243 tons in 1965 to 178,418 tons in 1966 and to 263,335 in 1968. (There was a slight decline in export volume in 1967 - 177,176 tons only were exported.) Price data for palm oil during the relevant years are not available though the projected figure in the Plan estimated is to decline from \$726 per ton (1965) to \$500 by 1970 - an average decline in price of \$45.20 cts per year. According to the Review palm oil price has fallen too, so that increases in productivity could not be most effectively and fully benefited, in terms of export receipts.

Foreign Loans and Grants, and Private long term capital inflow

We saw earlier that a substantial proportion of public sector development expenditure would have to come from abroad through loans and grants. For the private sector, long term (private) capital inflow to the tune of \$1000 million is also necessary. But an analysis of the inflow of capital (long term), loans and grants, for the past three years showed that the amount made available to us was far below the targets needs. Consider the long term capital inflow. The table below shows us that there was a shortfall in the amount made available -

<u>Malaysia: Balance of Payments</u>					Plan
<u>Capital A/C</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>cumulative total (66-68)</u>	<u>cumulative total (66-68)</u>
<u>Long term capital inflow (net):</u>					
Private	160	135	150	445	600
Public	7	126	89	222	552
Monetary movements including official short term capital inflow	160	64	30	254	289
Errors and omissions including private short term capital movements	-319	-271	-207	-797	-600
Foreign grants	24	51	45	120	510
Assess. Rec. and others	24	40	98	162	-
Sources Review	24	40	98	162	2544

from both public and private sources. Public long term capital inflow was only \$7 million in 1967, and their cumulative total ('66 - '68) was only \$222 million and this is less than half of the plan cumulative total of \$552 million for the corresponding period. The shortfall of private capital inflow was not as bad as that from public sources. Yet the average annual inflow throughout the three years was however below the corresponding targets of \$200 million so that the cumulative deficit was roughly \$155 million. Overall, private long term capital inflow fell by 45% from \$270 million in 1963 to only \$150 million last year. Several possible factors account for this considerable drop in foreign private long term capital inflow.

Most of the capital inflow - in the form of direct investment and equity participation - had hitherto centred on rubber, tin, oil palm manufacturing and distributive industries. But because the rubber industry had approached completion in the replanting drive and because tin bearing lands are giving out investments in these two industries obviously fell hence contributing to the downward trend in capital inflow.

Another factor was that substantial investment had already been made from 1962 to 1964 in setting up oil refineries, food factories, tyre plants, chemical metal and concrete factories and other consumer industries.

The 1965 British corporation tax on overseas companies together with the adverse balance of payments in Britain also affected investment.

Let us now look picture of the inflow of foreign loans and grants to the public sector. The table below summarize the fact that like foreign long term capital inflow (private) foreign grants and loans inflow had been far below expectations.

The income due to foreign investors earned from their investments here totalled \$515 million last year. Of this amount, \$342 million was actually paid out by Malaysia after some adjustments had been made.

Malaysia: Consolidated public sector finance 1965 - 1968 (\$m)

Sources of finance	1965	1966	1967	1968	Plan	
					cumulative total (66-68)	cumulative total (66-68)
Net domestic borrowing	388	294	465	436	1195	1309
Net foreign borrowing	100	42	125	98	265	525
Foreign grants	59	94	51	45	190	510
Asset use and others	46	153	-40	98	211	-
Total	593	583	601	677	1861	2344

SOURCE: Review

+1 Opinion, 1968.

+2 Straits Times 22.8.1969.

+3 Straits Times, 22nd August 1968.

+1 Bank Negara Report as reported in Straits Times 22.8.1969.

For example net foreign borrowing. The plan estimated that the annual average inflow to be \$175 million but the actual figure was only \$88.3 million. As such the cumulative total recorded an achievement rate of only 50.47%; only \$265 million was received as against the needed \$525 million. foreign grants fared much worse. The cumulative actually received was only \$190 million or 37.26% of the estimated need of \$510 million.

The small out of foreign grants and loans made available to us is most probably due to the increasing Balance of Payment difficulties experienced by United Kingdom and United States and also due to the resulting effects of recent 'Gold Crisis' (early 1968). These difficulties had resulted in the development of a tight money market in United States and Europe and the difficulties effecting United Kingdom. This tight money policy have made it costly and expensive borrowing from these countries so that the small amounts of loans and grants as analysed above is quite understandable. Dr. Lim Chong Yah⁺¹ in an article "Implications of Gold Crisis for Malaysia" among other things remarked that "the high bank rate in the U.S.A. (5 1/2 %) and in Great Britain (7 1/2 %) would make it more expensive for Malaysia to borrow from these countries. Furthermore attempts by the United States and United Kingdom to have budget surplus as well as balance of payment surplus would mean increased difficulties for Malaysia to get financial other assistance."

Balance of Payment

The financial difficulties arising from relatively slow growth rate in export receipts and in substantial shortfall of inflow of long term capital, loans and grants are made worse by several factors which put a severe drain on our balance of payments.⁺²

The income due to foreign investors earned from their investments here totalled \$515 million last year. Of this amount, \$342 million was actually paid out by Malaysia after some adjustments had been made.

Earning from the government's provision of goods and services to the Commonwealth troops here and foreign missions have also been on the decline - from a peak of \$227 million in 1965 to \$102 million last year.⁺³

Malaysians travelling abroad both officially or as tourists spent \$73 million while the tourist trade and travel receipts accounted for only \$47 million in 1968. (last year). Last year too Malaysians and other nationals remitted \$180 million abroad while the government transfers were estimated at \$64 million compared to \$84 million in 1965.⁺⁴

Unfilled job vacancies

There exists quite a number of job vacancies in various sectors of the economy but examination of the employment data at the employment exchanges show that a relatively large proportion of vacancies notified had not been filled (and some even cancelled). In 1966⁺⁵ of the 15,926

+1 Opinion, 1968.

+2 Straits Times 22.8.1969.

+3 Straits Times, 22nd August 1969.

+4 Straits Times 22nd August 1969.

vacancies notified at various employment exchanges throughout West Malaysia about 1,416 or 8.89% were left unfilled. In 1967 that increased to 11.52% or 1,393 vacancies unfilled out of 12,101 notified. For the month of March 1968⁺¹ of the 1883 vacancies available in that month only 737 or 39.13% had been filled. For the same month a year later of the total 1328 new vacancies available only 489 or 36.79% had been taken up.

The probable reason for this is the absence or the lack of suitable qualifications, experience or education among our unemployed, as demanded by the vacancies available. This is especially so for jobs requiring greater number of years of schooling and professional training. According to the Plan in Malaya nearly 30% of jobs in the private sector requiring more than secondary school education are either filled by non-Malaysians or vacant. Similarly the public service recruitment during 1964 succeeded in filling only 70% of the 3,500 vacancies in the government departments.

Even if the necessary qualifications or the educations attainments are satisfied personal preferences between say white collar and blue collar jobs might have been a contributory factors for a number of jobs not taken up. Yet it seems such a preference is not that important. From the figure below for example, such occupations as production workers,

West Malaysia: No. of new vacancies during March and unfilled vacancies as at 31st March 1969.			
	Vacancies		Percentage ⁺² unfilled job vacancies
	New	Unfilled	
1. Production and related workers transport equipment operations and labourers	731	409	55.68 %
2. Agricultural, animal husbandary and forestry workers, fisheries and hunters	80	65	81.25 %
3. Service workers	215	154	71.63 %
4. Sales workers	21	8	38.0 %
5. Clerical and related workers	240	175	72.92 %
6. Administrative and management workers	1	1	100 %
7. Professional, technical and related workers	40	27	67.5 %
Total - all occupations	1328	839	

Source: Penyata Bulanan (Buruh) March 1969

⁺¹ Labor Report - March 1968

⁺² the third column has been calculated.

labourers generally regarded as the "blue collar" jobs do not have as high a rate of unfilled jobs as we had expected, relative to such "white collar" jobs as clerical and related workers, administrative professional and technical ones. For category one occupation the relevant rate was only 55.68 % as against for example the respective rates of category 5 and 7, which are 72.92 % and 67.5 %.

The lack of suitable training, education and other qualifications seem to be the reason. A look at the educational attainments of the unemployed may suggest so. From the table below we see that majority of the unemployed have only primary level education, and their proportion and numbers have increased tremendously over the years from 1962 to 1967. In 1962, there were 72,046 or 48.82 % of the unemployed having only primary level education whereas in 1967 there were 125,708 or 52.77 % of the unemployed among the youths also explains the fact that in services and in clerical jobs there were respectively 41.24 % (or 6,746), and 30 % (or 14,367) youths. Overall therefore, 32.53 % or 19,704 of the total 60,738 unemployed by educational attainments. West Malaysia

Educational Attainment:	1967		1962	
	Total	%	Total	%
No formal education	30,060	12.67	38,309	25.96
Primary	125,708	52.77	72,046	48.82
Lower and middle secondary	67,061	27.56	28,686	19.44
Upper secondary and University	12,255	4.93	8,115	5.50
Others (unknown)	4,802	2.07	410	0.28
Total	239,886	100	147,566	100

Source: Malaysian Socio Economic Survey 1967/1968.

The average annual growth in labor productivity in category II industries is much higher relative to that in category I as an average, while net output grew at a rate of 15.2 % annually ('65 - '66).

239,886 unemployed in that year. The probable explanation for this is the increasing number of children entering schools (and great number too leaving them) especially so because of the government's policy of providing free primary education. This policy may have also partly explain the fact of a decline in numbers and proportion of unemployed with "no normal education".

The unemployed with "lower and middle secondary" school qualifications form also quite a substantial number and proportion of the unemployed. These were 67,061 or 27.58 % of the unemployed with only this level of educational attainments.

Combining together the unemployed with only "primary level education" and those with "lower and middle secondary" we see that they formed 80.33 % or 192,769 of the total unemployed for 1967. The unemployed with upper

secondary and university education (inclusive of those who passed S.C. and above) formed only 4.93 % or 12,255, in 1967. 1967 net output per employee rose from \$6,500 to more than \$7,300. This is because

From the above, choice of type of jobs therefore will be primarily determined one's own educational attainment. Since a large majority of our unemployed are lowly qualified this explains why of the total 120,485 registered unemployed at December 31st, 1967 41 % or 49,687 registered for 'labourers' (unskilled), 16.6 % or 16,357 for service occupations and 17,819 or 14.79 % for clerical jobs. Since majority of the type of unemployed we have are youths and young men and women, it is not surprising to find that a considerable proportion of those registering for 'labourers' were those under 30. They formed 76 % or 37,686 in 1967. And out of this 37,686, the youths (less than 21 years) formed 40 % or 19,784. The low educational background and the preponderance of unemployed among the youths also explains the fact that in service and in clerical jobs there were respectively 41.24 % (or 6,746), and 80 % (or 14,567) youths. Overall therefore, 32.53 % or 19,784 of the total 60,718 registered unemployed youths opted for 'labourer' jobs 24 % or 14,567 for clerical and 11 % for services.

Labor Productivity and Labor Absorption

Another possible (though not very important) reason for the high rate of unemployment is the fact that expansion in output (by volume) in the economy had partly been associated with increased labor productivity than with increased labor employment. This is especially so in rubber, Transport and manufacturing industries. Consider the manufacturing industries.

For the industries covered by the annual manufacturing survey⁺² it has been shown that for the category I industries net output grew by 7.7 % per year whereas employment grew at a rate of only 5.5 %. Within this category I industries there are even some industries where expansion in output had been followed by a decreased in the use of labor. In the rubber products industry for example, net output grew at a rate of 5.5 % annually between '65 to '67, yet employment fell by 1.4 % yearly for corresponding period.

The average annual growth in labor productivity in category II industries is much higher relative to that in category I. On an average, while net output grew at a rate of 15.2 % annually ('65 - '68) employment growth rate was only 4.4%.

⁺¹ Handbook of Labor Statistics: 1967. Ministry of Labor.

⁺² Review, 1969.

Overall for both categories, labor productivity grew at a rate of 6.5 % per annum so that between 1965 to 1967 net output per employee rose from \$6,500 to more than \$7,300. This is because for corresponding period net output rose by 25 % as against that of employment of only 10.5 %.

The previous chapter has shown that this problem of unemployment is becoming Taken by itself growth or increase in labor productivity tends to check labor absorption in the short - run. there is a movement of unemployed rural youths to the urban and metropolitan areas. Obviously measures The problem of unemployment especially among the youths need urgent attention and remedies and government should take both short term and long term measures to meet it. by the May 13 incidents. Obviously the primary and essential reason was political rather than an economic one, but unless these unemployed youths - particularly in urban and metropolitan areas - are kept busy "they might find other outlets for their excess energies". The main answer is to step up the level of economic activity to provide the need jobs. This is essentially a long term measure. We shall first consider the possible short term measures.

Migration to Sabah

Obviously sending the willing unemployed to Sabah could help not only relieve the manpower shortage there but also in a small way relieve the unemployment problem here. But there are problems involved here.

The first Malaysian Plan recognized that "there is an acute shortage of both skilled and unskilled manpower in Sabah due to the rapid expansion of agricultural development there". The shortage was made worse when the Sabah government cut short the inflow of unskilled Indonesian workers and the skilled artisans from Hong Kong and Taiwan. To meet this problem the Migration fund board was set up to carry out the "planned transfer" of workers from West Malaysia to Sabah. To attract potential migrants various incentives and benefit were offered.

- (a) Free passage by ship to Sabah and back (after completing of 2 years contract)
- (b) A disturbance allowance of \$100 is offered for each family (\$50 to those who are single) on their arrival in Sabah and
- (c) Free medical treatment and accommodation.

The board also makes the arrangements for the sea passage migrants papers but does not promise fixed wages. When the 'migrant' worker has completed his 2 year contract he could either

- (d) Extend the period of contract for another 2 years or
- (e) Apply for permanent stay in Sabah or
- (f) Apply for participation in land settlement schemes (14 families have already been granted lands under this scheme) or
- (g) Return to hometown (free passage provided). So far

Chapter IV

Measures to meet the unemployment problem

The previous chapter has shown that this problem of unemployment is becoming serious, especially among the youths and school leavers; and that there exist strong reasons to believe that there is a movement of unemployed youths to the urban and metropolitan areas. Obviously measures should be taken to reduce the numbers and percentage of unemployed and to discourage or check the rural urban migration. That the problem is of very serious nature is reflected by the May 13 incidents. Obviously the primary and essential reason was political rather than an economic one, but unless these unemployed youths - particularly in urban and metropolitan areas - are kept busy "they might find other outlets for their excess energies." The main answer is to step up the level of economic activity to provide the need jobs. This is essentially a long term measure. We shall first consider the possible short term measures.

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+1 Dr. Kanapathy. Malay Mail 1.7.69.

+2 Malaysian Plan page 13

+3 Malay Mail. July 1st. 1969.

So far (up to end of May 1969), since the Board's inception only 2540 workers with about 2590 dependents have been sent to work in the various estates in Sabah. Of this 2590, 503 workers (with about 414 dependents) who went between January and June 1967 have already completed their 2 year term and are therefore eligible to return to West Malaysia. But only 357 of them (7 2/3) and their 245 dependents elected to stay to work for another 2 year term. The rest 146 workers and their 169 dependents have since returned. The board has however decided to encourage more workers to continue employment for a further period of 2 years by paying them an "inducement bonus" - a sort of financial incentive. Those who have completed their 2 year term and chose to remain there for another 2 years will be paid \$200.⁺¹

The introduction of work permits and the relatively short periods offered. The important point here in term of relieving the unemployment problem is to encourage more to go to Sabah and to ensure that those who went there continue to work there instead of returning. There are still employment openings in Sabah for our unemployed. At end of May for example, 15 oil palm and rubber estates in Sabah reported that they still need 159 rubber tappers and 1, 123 field workers in oil palm estates. Yet at the same time period the total number of registered unemployed who elected to go there was very small relative to the needs of Sabah and the total number of unemployed here. Even then not all the 218 who wanted to go would be selected to go there. The reason is that some of them have no experience whatsoever of estate work, some know nothing at all about oil palm and some lack or do not possess the relevant skills needed.

This problem could partly be met by designing a crash course and training programme so as to acquaint the willing ones with the necessary knowledge and to develop in them the skills required in Sabah. Furthermore such discouraging factors as low housing standards, lesser social amenities in estates, inadequate school facilities and fear of being stranded should be looked into and effective measures taken to make migration to Sabah more attractive.

Introduction of Employment Permit 0 to 55 (in government service)

Recently Singapore introduced a legislation requiring all non-citizens working there to have employment permits. Our government has lately decided to take such measure by enforcing the Employment Restriction Act. The best estimates of non-citizens labor put the number around 300,000.⁺² About 60,000 of them are Singapore citizens working in West Malaysia and a substantial proportion of the remaining 240,000 were Indian estates workers who are not citizens; but the majority of the 240,000 are those working here (West Malaysia) but lack the qualifications for a citizenship by application (and are largely self-employed and those who have not chosen to become citizens.)

⁺¹ Straits Times August 26th. 1969.

⁺² The government has hinted that legislation may be introduced to cut workers overseas. Straits Times 5th September 1969.

⁺¹ This payment is made once only for that additional two years.

⁺² Straits Times June 19th. 1969.

Since the enforcement of the Restriction Act in July nearly 140,000 non-citizens have applied for employment permits. In addition 160,000 self-employed and unemployed non-citizens have applied to be registered with the Registration Department.⁺¹

The government has decided to issue work permits to non-citizens for periods ranging from 3 months to 2 years depending on the grade of the skill of the applicant. Highly skilled workers will get permits for 2 years. But a review, based on the merits of each case will be made during the 2 years. Skilled workers will get permits for one year, semi-skilled, for six months and the unskilled for three months.

The introduction of work permits and the relatively short periods offered for various categories of skills suggest an attempt by the government to curb employment of non-citizens and to help its own citizens. As the necessary training and skills are acquired by its unemployed citizens, non-citizens will be replaced them.

Elimination of Excessive Overtime

The government has already cut down excessive overtime by these already employed so that more employment opportunities could be spread to other people. Furthermore it has already urged the private sector - the various chambers of commerce, Federation of Malaysian Manufacturers, banks and other similar organisations - to follow this policy.

The policy if, widely and purposefully adopted by the private sector could at least contribute to creating a few more employment opportunities but such adoption may be discourage because it involves the revision of firms production plans, the number of personnel it already planned to employ and the need to provide training to the new workers, etc. How effective the government's call will be will depend on the willing co-operation of the private sector.⁺²

Reduction of retirement age from 60 to 55 (in government service)

This new arrangement will affect more than 7000 of the 170,000 government servants.⁺³ The breakdown of this figure is as follows. (1) Division I posts - 227 (206 Federal and 21 State officers). (2) Division II - 219 (190 Federal and 29 States). (3) Division III - 2,130 (1,611 Federal and 519 States). (4) Division IV - 1,519 (1,218 Federal and 301 States) and Industrial manual group - 2,931 (743 Federal and 2,188 States). The government has recently decided that all those affected must be "out" by end of October.

⁺¹ Straits Times August 26th. 1969.

⁺² The government has hinted that legislation may be introduced to cut workers overtime; Straits Times 5th September 1969.

⁺³ Malay Mail 16th. July 1969.

We notice a considerable number of jobs that will be left vacant due to this retirement arrangement will be in Division III and Division IV as well as in the manual group. Since a large majority of our unemployed have primary, lower and middle secondary education (as well as those with SC and MCE certificates), these vacancies will definitely benefit majority of them.

Expansion of the armed forces

The expansion of the armed forces and that of internal security (police) had proceeded in the last few years because of the anticipated withdrawal of British troops and the need for Malaysia to depend itself. The recent trouble and the increasing communist threat has resulted in a rapid pace of its expansion. The government's plan to expand the forces by three more battalion will at least provide employment opportunities for our job seekers.

These short-term measures cannot significantly contribute to relieving the unemployment situation. There is therefore the need to resort to those measures and to those sectors of the economy which not only have high employment potential but also are important in terms of income and output. Hence the long term measures would be to accelerate the pace of industrial development and to increase the rate of land development scheme - especially F.L.D.A. and youth land schemes.

Accelerating the pace of Industrialization

The industrialization policy of the government is one of free private enterprise - (until recently). The government had left the role of accelerating industrial development to the private sector and such participation as it takes, take the form of co-ordinating industrial efforts, providing assistance to investors / entrepreneurs in the form of expanded infrastructure facilities, investment incentives and improved sources of finance. Thus, all these years industrial development had proceeded at a pace mainly determined, among other factors, by the extent of the response private sector (local and foreign) gave to the government's provision of incentives and facilities and the opportunities available here.

Existing Incentives

Various incentives had been provided. This includes tariff protection, anti-dumping guarantees, investment guarantees, import duty concession and preferential purchase. Of significance is the recent enactment of the Investment Incentive Act of 1967.⁺¹ This Act increased still further the incentives hitherto provided to the 'pioneer' companies.

⁺¹ Dr. Lim Chong Yah. "Foreign Investment Guide: Malaysia" - First National City Bank Kuala Lumpur: 1968.

under the pioneer industries (Relieve from Income Tax) ordinance of 1956. Under the 1967 Act, the definition of a 'pioneer industry' was broadened to include any kind of commercial undertaking and is not confined to manufacturing alone. A product may be declared pioneer if it is to be manufactured for export, or the industry may be declared pioneer if it contributes to the economic development of the country. Hence eligibility for pioneer status has been extended to non-manufacturing industries. The new Act authorises 3 major forms of incentives:

(i) Pioneer Status: A company granted pioneer status may enjoy a tax relieve period of up to 5 years from the commencement of production, depending upon its capital investment. Additional years of tax exemption are given if a company is located in a designated development area; if it produces a priority product; or incorporates a specified amount of local content in its product. The maximum possible period of tax exemption is 8 years. Pioneer firms are also exempt from payroll tax. The Act permits the carry forward to the past tax-relief period of any losses incurred by a pioneer firm.

(ii) Investment Tax Credit: This incentive may be granted to companies which do not choose to seek pioneer status or which do not qualify for complete tax exemption. The tax credit (actually an allowance against taxable income) will not be less than 25 % of the qualifying investment and may be increased by increments of 5 % if the firm locates in the development area, produces a priority product or meets specified local content requirements.

(iii) Export Incentives - expenses incurred for export promotion are entitled to double deduction in determining taxable income. Accelerated depreciation allowances will be granted to resident companies which have incurred capital expenditure in acquiring plant or equipment to modernise their production facilities. Companies which export more than 20 % of their output qualify for payroll tax relief in connection with their export sales. In addition generous tax allowances are granted to companies which increase their exports.

Hence a judicious fiscal policy in an attempt to promote industrialisation had been pursued by the government. Certain special tax adjustments - as we have discussed above - have been adopted for those firms meeting a pre-determined criterion - the idea is to raise manufacturing profits. This is especially important because private firms and individuals invest to make profits and under those conditions such as prevailing in Malaysia, the expected return on investment - if the investment is to appear attractive - must frequently be substantially above what a similar investment could be expected to earn in a more developed country. In Malaysia the most important sources of investment funds are private savings and retained earnings of companies and the higher profits they make and allowed to them the greater potential is there for new investment and re-investment.⁺¹

+1 Mid term Review. Industrial Digest - 4th Quarter 1968.

+2 Malaysia Industrial Digest - 1st Quarter 1969

+3 Kamapathy. UNWC Vol. 4 No. 2 December 1968

+4 Review (Mid term) - 1969

+1 Mid term Review. 28, 1969.

Despite these incentives and other facilities, as well as the potentialities available here, industrial development had proceeded at a relatively low rate. (especially in terms of employment).

Industrial Development and Employment

In 1967, manufacturing sector employed 193,000 representing only 7 % of the total employment in the country. Between 1965 and 1967 only 11,000 new jobs were created in this sector. In the pioneer industries the number of people employed increased by only 4000 from 12,000 in 1965 to 16,000 in 1967. Though this is a high percentage growth (33 %) yet in terms of the employment needs of the country, it is quite negligible. The pioneer industries also accounted for only 8 % of the total labor force in manufacturing in 1967. Its 1967 share represented an increase by only 1 % from its corresponding figure of 1965.

It must be remembered that major incentives provided are especially designed to attract more pioneer firms and pioneer industries. Yet in terms of numbers their progress had not been satisfactory. As at 31st. December 1967⁺² 131 companies with total capital investment of over \$300 million had been granted pioneer certificates. This increased by only 17 to reach 148 at end of February 1969. These 148 firms though had a total investment of about \$448 million, their employment potential at end of tax free period was only 19,051. The number of companies offered pioneer status in principle too had not expanded as much as is required for greater acceleration of industrial development. There were 79 firms granted status in principle in 1967, and 126 at end of February 1969.

Certain measures and modifications have to be undertaken to improve the state of affairs.

a) Streamline the Administrative Machinery

There is at present a "proliferation of bodies dealing with one or other aspect of industrialization but whose contribution to industrial development has not yet made an impact on our economy".⁺³ This proliferation has not only resulted in duplication of efforts and unnecessary obstacles, but also in wastage of limited trained manpower and financial resources. For example apart from F.I.D.A. other bodies like M.I.D.F., and the ministry of Commerce and Industry are also involved in industrial promotion, and establishment of new firms and industries. Even "the E.P.U. shares with F.I.D.A. the principal responsibility for planning the nation's overall approach to industrial development."⁺⁴ This has given rise to lack of coordination and red tapism and "would be investors have publicly complained of their difficulties".⁺⁵ They have to deal with

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- +1 Malaysia Industrial Digest - 4th Quarter 1968. (page 10)
 - +2 Malaysia Industrial Digest - 1st Quarter 1969
 - +3 Kanapathy. UMBC Vol.4 No. 2 December 1968
 - +4 Review (Mid term) - 1969
 - +5 Straits Times June 28, 1969.

at least 7 ministries and a score of government departments.

It was only recently that government took steps to streamline the administrative functions of various institutions and agencies connected with industrialisation, by setting up of Capital Investment Committee. The setting up of this committee represented also the "new aggressive and positive approach" of the government to industrialization.

Among the committee's terms of preference⁺¹ are:-

- (1) To examine development priorities and formulate policy guidelines and incentives for industrial development.
- (2) To streamline the present system of processing applications in order to speed up the decision making on industrial matters.
- (3) To redeploy existing staff of organisations connected with industrial development in order to achieve "a more cohesive force" in achieving its objects and
- (4) To direct the implementation of the Committee's policies and decision in collaboration with State Government and departments concerned.

A four pronged strategy have therefore been launched by the government to attract investment. The first prong of attack is specific investment promotion. Industrial development and investment promotion are a highly competitive business. In this field we inevitably face extremely stiff competition from other countries in South East Asia and even the rest of Asia. To achieve worth while success we cannot afford to wait for business to come as happened before, we have to go out and get this business using high pressure and aggressive tactics. Towards this end the C.I.C. will identify industries which are regarded as viable and suitable for establishment in Malaysia. The C.I.C. has examined and endorsed a F.I.D.A. "list of industries and product which could be established in Malaysia."

The C.I.C. will also announce at the same time the tax concessive protective tariff measures and for other incentives which the government is prepared to offer to the industries which have been identified as suitable for establishment here. It (C.I.C.) will also have the advice and assistance for the Private Sector Advisory Panel, to promote a higher rate of industrial development in this country.

Malayan Tobacco Co. Berhad.	7,200,000	28,800,000	6
Sumat Industries(al) Berhad.	1,500,000	3,500,000	25

+1 Malaysia Industrial Digest 2nd Quarter 1969 (page 10)

Source: Malaysia Industrial Digest 3rd Quarter 1968.

+1 Malay Mail . July 1st 1969

+2 Malaysia Industrial Digest 3rd Quarter 1968.

Because of these various government measures, now it is possible for the potential entrepreneur to deal with at the most 2 ministries - Treasury and Commerce and Industry - with the C.I.C. co-operating throughout. So far between June 6 to June 25 (19 days), the C.I.C. had expedited 26 approvals in all, for new pioneer and non-pioneer enterprises, i.e., at a rate of one approval a day! Over the past ten years government had approved only 120 applications.⁺¹ (N.B. The F.A.B. had recently be dissolved; F.I.D.A.ther takes over its functions) M.I.D.F. or both. But the leading policies of these two bodies especially M.I.D.F. does not allow for large funds to be

(2) A more positive role of financial institutions

The major domestic sources of industrial finance are the local commercial banks, M.I.D.F.L. and the local capital market. But there exist certain bias and policies among these various sources which need to be modified if not changed to create a more favourable climate for accelerated industrial development:

Consider the local capital market: There is indeed a wide and quite developed local capital market. The local people are becoming more and more "share conscious" and new issues of industrial shares have been mostly oversubscribed.⁺² For example the \$1 share issue (at premium of 20 cts. per share) of Malayan Flour Mills Sendirian Berhad was oversubscribed by 21 times. The total share value offered to the public was only \$4,748,000 but oversubscription reached up to \$166,851,000. The vast resources of "untapped capital" awaiting share issues can be seen from the table below. (Oversubscription is not simply confined to share issues. The government "papers" too are oversubscribed. The government recently floated a \$75 million development loans. This was oversubscribed by \$61 million).

Name of Companies	Original issued Capital		No. of times oversubscribed (loan capital)
	Local	Foreign	
Malayan Contractors Berhd.	5,750,000	N.a.	10
Malayawata Steel Ltd.	15,918,500	15,181,500	9
Matsuhita Electric Co.(M)Ltd.	1,500,000	150,000	18
Shell Refining Co.(F.O.M.)Berhd.	7,500,000	22,500,000	20
United Abestos Cement Berhd.	3,068,000	2,032,000	18
Esso Std. Malayan Berhd.	17,500,000	32,500,000	15
Malayan Tobacco Co. Berhd.	7,200,000	28,800,000	6
Hume Industries(al) Berhd.	1,500,000	3,500,000	25
Electrical and Allied Industries Berhd.	650,000	650,000	18

Source: Malaysian Industrial Digest 3rd Quarter 1968.

+1 Malay Mail . July 1st 1969

+2 Malaysia Industrial Digest 3rd Quarter 1968.

But the problem here is that this sources of finance and funds is mainly used by "most of the quoted companies, which are mainly foreign owned or owned on a joint venture basis with local enterprise" whereas "the majority of the local manufacturing establishments which have not yet established a foothold in this highly brand-conscious market are however not in a position to effectively utilise this facility". +1 As such (apart from their own savings and profits) they have to turn to either the commercial banks or M.I.D.F. or both. But the lending policies of these two bodies especially M.I.D.F. does not allow for large funds to be made available to local manufacturing establishments. +2

One of the most probable reason is the question of risk and potential profitability of lending. We see that as at present majority of our manufacturing establishments are relatively small, in terms of scale of operation, plant size employment and net output. The survey of 1967⁺³ showed that out of 2961 establishments covered, there are 24 firms employing only 11 people (full time) having monthly gross sales of less than \$1000. There were 51 % or 1510 firms having gross sales size group of more than \$1000 but less than \$100,000. Only 11.67 % or 346 firms of the rest 49 % (with sales more than \$100,000) have gross sales of \$1 million and over. The small size of majority of firms is mainly because large numbers of them are either individually owned (and sometimes operated) or owned on a partnership basis. There were only 60 public Ltd. Companies, 600 private ones (ltd.) as against 2,279 or 77.47 % of the combined individual and partnership types. Being largely small scale, and because of the fact that greater financial lending risks are involved in the individual proprietorship types of firms, these firms would find greater difficulty of seeking financial assistance from M.I.D.F. and from commercial banks compared to the much larger domestic companies and foreign owned enterprises which "are in a better financial position because of their relatively easier access to commercial bank financing" +4 and that of M.I.D.F.L.

A re-orientation and liberalising of lending policies particularly in respect of specialised needs of small and medium scale industry should be undertaken. Particularly for commercial banks this re-orientation also implies the "departure from their traditional trade-oriented lending policies" in favour of "a large role in the financing of industrial investment."

The MIDF provides medium and long term loans to the manufacturing industry for financing of land, buildings and machinery.

Commercial Banks The commercial banks supplement the short term needs of the manufacturing sector. Its contribution to this sector is however not substantial. Up to end of 1967 only an average of 15% of its total loans and advances flow to the sector. Though there is a slight shift of emphasis in 1968 when 18.2% went to manufacturing, yet the overall financial commitment to manufacturing is relatively insignificant because of the great emphasis placed by government on industrialization (and agricultural diversification). Refer to the table below.

+1 Bank Negara Report.

+2 Kanapathy: UMBC, Vol. IV, No. 2 December 1968.

+3 Wheelwright "Industrialisation In Malaya" in Political Econ. Independent Malaya Edited by Silcock and Fisk. Eastern University Press.

+4 Survey of Manufacturing Industries 1967. Statistics Department. K.Lumpur.

+5 Mid term Review.

the commercial banks loan and advances to manufacturing industries (December 1964 to December 1967) during roughly the same period the loans and financial commitments of MIDFL increased by only \$15 million. The eight-year cumulative total of MIDFL loans was less than one third of the \$259.1 million (outstanding) commercial bank loans.

End December	Total loans and advances	\$ m.	(% of total)
1964	1,083.7	164.4	15.2
1965	1,141.1	174.2	15.3
1966	1,286.2	192.5	15.0
1967	1,432.9	213.4	14.9
1968	1,763.6	320.3	18.2

Source: Bank Negara Malaysia Annual Reports and statement of Accounts

As at end of 1968, 35.3 % or \$622.6 million of the total \$1,764 million⁺¹ loans and advances of that year went to commerce. Financing of international trade is from the banks' point of view "a profitable line of activity". The banks are also attracted by self liquidating nature of such non-cash assets as bills of exchange and letters of credit for they facilitate a quick turnover of funds. Some banks just kept their funds resulting in them having a "frequent excess liquidity situation." (At end of 1968, the liquidity ratio for banks as a whole stood at 41.7 % whereas the minimum liquidity requirement against current fixed and other deposits is only 20 %).⁺²

Ways and means have to be found to channel the flow of these "surplus funds" into industrial development projects.

MIDFL

The MIDFL provides medium and long term loans to the manufacturing industries. Such loans are for financing of land, buildings and machinery. As at 31st. March 1968 total MIDFL loans and investment commitments were \$68,872,000⁺³ covering 186 projects and though this increased to \$81 million (covering 220 projects) at end of October, as a proportion of the total resources available to it this is not substantial. The MIDFL has an aggregate potential source of finance amounting to \$250 million (\$38.5 million from government and \$187.5 million from World Bank).⁺⁴ Furthermore compared to

⁺¹ Bank Negara Report.

⁺² UMBC Vol V, No. 1 1969.

⁺³ Mid-term Review.

⁺⁴ Dr. Lim Chong Yah "Guide to Foreign Investment in Malaysia".

the commercial banks, while the latter's loans and advances outstanding to manufacturing increased by \$49 million, (from December 1964 to December 1967) during roughly the same period the loans and financial commitments of MIDF increased by only \$15 million. The eight-year cumulative total of MIDF loans was less than one third of the \$259.1 million (outstanding) commercial bank loans and advances.

The MIDF therefore has vast uncommitted financial resources. The expansion of its operations together with the liberalising of its lending policies could help provide more funds for industrial use.

Improvements in export incentives.

The acceleration of industrialisation implies not only the establishment of more new manufacturing firms but also the expansion of existing ones. The expansion of existing firms will depend on whether there is greater potentialities of expanding markets (local and foreign) for its product. Already substantial progress had already been made in import - substitution during the 3 year of Plan operation. While capital goods continue to be imported, the intermediate and final consumer goods imports, as a proportion of private consumption fell from 42.1 % in 1965 to 35.6 in 1968.⁺¹ There are several import substitution industries such as tobacco products, printing and publishing, and processed milk which have captured a large share of the domestic market. Their further growth will therefore be limited to a rate more in line with the expansion of total demand (local and foreign) for its products. On the local demand side, there seems to be some potential. From 1966 - 1968 per capita real income grew by only slightly more than 1% per annum from \$932 in 1965 to \$986 in 1968.⁺² These industries will therefore gradually have to look for markets abroad.

The present export incentives seem not to be adequate. A recent Industrial Trends Survey conducted by FIDA (in April/May 1969) covering 100 firms showed that the two most important and commonly cited factors limiting export expansion were (and are) "lack of export incentives" and "restrictions imposed by other countries". These two factors are very much inter-related; but while the government cannot do much about the "import restrictions and duties of foreign countries" it could and should immediately look into this problem of lack of export incentives to encourage further industrial expansion.⁺³

Speedier Land alienation for industrial use

Land is a state of matter. Hitherto there seems to be delay and inefficiency in the various state administrations for land alienation. To enable prompt and immediate approval be given to applications for lands for establishments of industries, the machinery must be overhauled.

+1 Mid term Review

+2 UMBC Vol.V, No.1 1969.

+3 The provision of attractive export incentives may also attract more new investment.

Furthermore there is also the need for the State Governments to "re-examine the policy of giving titles to land so that conditions imposed would not impede industrial growth".⁺¹ Some State Governments had formed special committees to expedite land alienation for industrial use.

Several recommendations were recently put forward to the government for speedier land alienation for industrial purposes.⁺² viz:

- (1) The appointment of a senior government official with sufficient executive powers to expedite decision making on industrial development matters.
- (2) A more streamlined method of processing applications for industrial sites without delay.
- (3) States which do not have industrial estates should assist private investors to acquire land.
- (4) All-out effort to streamline technical departments to speed up approval of site and building plans for factories.

Increased Government Spending

So far we had considered only the supply side of the matter. Demand is as important. For the past three years, the Malaysian economy, (including the manufacturing sector has been operating at less than full capacity. The principal cause of the slack has been the relatively slow growth of aggregate demand following upon the drop in export prices especially that of rubber. A substantial increase in government investment and expenditure would provide the necessary increase in aggregate demand.⁺³ The Review have provided for quite a large increase in public development expenditure for 1969 and 1970. Public development expenditure (non-security) for 1969 and 1970 will be \$2050.9 million which is slightly less than the \$2097.2 million spent during the first 3 years of plan operations.⁺⁴ This demand boost will not only stimulate the economy, including the manufacturing sector, but also provide enhance inducement to invest.

Stress on labor incentive industries

The main idea for accelerating industrial development is to provide more and increasing employment opportunities. As such more labor incentive industries and firms utilising labor intensive methods of production should be adopted in the new establishments to enhance the manufacturing sector's labor absorption potential. The present industrial policy of the government is such that the only influence that it has on a firm's production techniques is through the "special encouragement" it offers to labor incentive industries. This apart the government had in fact declared that it "will not attempt to interfere with industry's choice of production techniques".⁺⁵ Given this and given the fact that most companies, other things constant, would prefer to use capital intensive methods of production

+1 Straits Times July 7, 1969

+4 Review

+2 Straits Times July 7, 1969

+5 Review

+3 Kanapathy has urged government to consider idea of "state participation in a few major ventures, immediately - as had happen in Germany - Volkswagen and generate secondary and tertiary activities".

to labor intensive ones, if the former is technologically possible and cost-wise feasible then the government has therefore to look into the matter of creating incentives and not simply encouragement, to ensure the settling of more labor incentives and use of labor incentive methods of productions.

There is need to create more jobs. There is vital need too to ensure that such jobs as are created in the industrial sector will be more widespread - in geographical and racial terms. So far partly because of the governments declared policy "not to dictate the pattern or location of industry" and partly for other reasons such as easier accessibility to markets, greater and more developed transport and other facilities. The development of industrial sector had been concentrated in a few areas and within a few states. Most of the industrial estates have been concentrated either in large towns or near large towns - like that at Petaling Jaya and Batu Tiga Tasek, and Mak Mandin and most of the industrial establishments too are found here - more so at Petaling Jaya and Batu Tiga. Between the States (West Malaysia) there is this lack of proper spread too. There is only one Industrial Estate in the East Coast States (up to 1967), none at all either in Kelantan or Trengganu and none even in the West Coast State of Kedah.⁺¹ This has given rise to a phenomena where according to a manufacturing survey (1969)⁺² out of 2,961 establishment covered in the survey, including 87,130 full time paid employment, 853 of the establishments employing 33,160 people were found in Selangor itself compared to a combined 247 establishments only (and 5292 full time employed) for the three East Coast States of West Malaysia. Even within the West Coast States, lopsidedness is evident. Kedah had 176 firms (including 3660 full time employment) and Malacca only 121 employing full 2160 workers.

Majority of country's unemployed are found in rural areas and some of them are moving to towns in search for jobs. Furthermore such relatively underdeveloped States as Kelantan, Trengganu and Kedah have greater rural population than States like Penang and Selangor.

The government has decided to encourage rural industrialisation and to do this it "will provide appropriate incentives and facilities to enable industries to go to the smaller towns." It will also if necessary "participate in the establishment of industries either by itself or in joint venture with the private sector, both local and foreign".⁺³ To attract industries to other States the government has recently identified Kedah, Perlis, Pahang, Kelantan, Trengganu, Malacca (Sabah and Serawak too),⁺⁴ and the industrial estates of Senawang and Kamunting as "development areas" (A recent study of industrial potentiality for Kedah and Perlis revealed that there are several "growth points" - Alor Star, Sungai Patani, Kulim, Kangar and Padang Besar - where the new industries (largely small scale ones) could be located.

+1 Industrial Potential Study by FIDA revealed that there is a small industrial estate being developed in Kedah - 32.4 acres at Mergong near Alor Star.

+2 Survey of Manufacturing Industries West Malaysia 1967

+3 Straits Times July 2nd 1969.

+4 Sunday Mail 6th. July 1969.

The government's decision to encourage the spread of industrial job openings to the rural areas and the economically underdeveloped States will at best meet part of the problem. This will have to be greatly supplemented by provision of increased job opportunities through agricultural land development schemes.

Accelerating the pace of land settlement scheme

Land is the basis of agricultural employment. The opening up and development of more agricultural lands would help provide jobs to the landless and to supplement the uneconomic holdings of some of the farmers. This would help enhance the degree of utilising of their labor. There are potentially about 9 million acres available and suitable for agricultural use. From exploratory surveys, it is known that there are approximately 12 million acres of potential agricultural land in Pahang Tenggara Region, much of which is suited to oil palm, rubber and short term perennials. In Johore there are two regions which have 300,000 acres of potential agricultural land.

The exploitation of these potentially vast agricultural land through land development and settlement schemes such as FLDA fringe alienation and youth land schemes appear necessary but the major constraints in this effort would appear to be finance and personnel.

Finance:

FLDA had settled 15,781 families on 74 schemes covering 237,449 acres, up to end of 1968. It cost it and the government \$251,007,680. In 1966, the cost to the authority in developing an acre and that of settling a settler, in oil palm schemes was respectively \$1529 and \$12,233. In rubber schemes the corresponding costs are much higher, \$1,588 and \$12,703 respectively. Such costs cover only that for administration and development and planting of new lands but exclude that of providing amenities - such as access roads, water supply etc. These latter costs are borne by the government. Overall therefore, cost per planted acre and cost per settler are respectively \$1,694 and \$13,553 in oil palm schemes and \$1,846 and \$14,766 in rubber schemes.

The government plays a substantial role (financially) in meeting the high cost of land settlement in FLDA. At least 35 % of the total cost of settling a settler comes from government grants required for running of FLDA and the provision of social amenities. Recently there was a fall in amount of government grants to the Authority. In 1965 Federal Grants to FLDA totalled \$10 million but this fell to only \$3 million in 1966. Even though in 1967 allocation was higher than that of 1966, it was however lower than that of 1965. The FLDA also depends on the loans

+1 Mid term Review

+2 Booklet "Lembaga Kemajuan Tanah Persekutuan" - 1969.

+3 Geographica Vol.4, 1968.

from lending bodies such as Commonwealth Development Corporation, World Bank and perhaps too on the recently set up Asian Development Bank. Of the total FLDA expenditure of \$251,007,680 up to 1968 about 76.05 % or \$190,879,824 are from such loans.

Fringe alienation schemes also depend on Federal grants and loans, offered to State Governments at specific rates, uniform throughout the country. For each one developed, the Central Government gives a loan of \$320 and a direct grant of \$263.

The need for increased land development also implies the need for funds in amount as required and at time when needed to be made available to these various bodies and state authorities. But the problem of personnel shortage too has to be met.

Personnel Constraint

To undertake the development of more acres and the settling of greater number of families require the expansion of administrative staff and personnel. The personnel requirements for FLDA can well be conceived by looking at one of its schemes, for example Sungai Buaya - which consist of 3350 planted acres and with maximum (potential) 400 families. The personnel to look after and manage this scheme required full time establishment of one manager, one assistant manager and seven field assistants.

This personnel requirement and shortage is most felt in the fringe alienation schemes. These schemes though financed by Federal grants and loans are implemented by respective State governments. The actual responsibility of planning and implementing the fringe schemes is done by the District Officer and his assistants who are already occupied with their daily duties and responsibilities. After independence these officials had more duties and responsibilities but the increase in personnel had not been commensurating enough. The officers are now expected to implement all the rural development projects in the district, attend public functions, entertain quires and curiosities from politicians and also to make arrangements for Ministers' visit to the district which could be very frequent. These 'extra' activities obviously reduce the time available to the District officer personnel to effectively plan, implement and maintain the newly established schemes. The inadequacy in the number of officials allocated to look after the schemes is also clear enough for example in the District of Termeloh, Pahang, there were in 1964 one District Officer, two assistant District Officer, one assistant supervisor and eighteen field assistants to look after 34 fringe schemes having a total of 16,500 acres of planted rubber and involving 2,460 participant families. This shortage is aggravated by the fact that majority of the district office personnel do not have the necessary training and experience in land development work, which really requires fully trained agriculturalists. The agricultural assistants - persons on the ground to advise the planning and maintaining of the rubber crop are young, inadequately trained and also inexperienced in matters of rubber growing.

Shortage of personnel too exist at the ministerial level. The Federal governments in giving the loans and grants for fringe schemes requires experienced visiting agents to check on the work of the field assistants once every six months and to submit the report

and recommendation direct to the Ministry of Land and Mines which in turn is supposed to see that the whole programme is efficiently and effectively implemented. The number of officials allocated to look after the development of the schemes is so small that they are usually kept busy filing and acknowledging the visiting agents reports on the 405 schemes (in 1966) in the country. Most of the reports are left unread, let alone translated into action on the ground.

The undertaking of more FLDA and fringe schemes are not enough. More youth land schemes are necessary, since they are meant for the unmarried youths and considering the fact that a large majority of the unemployed are youths and school leavers and that present major land schemes (for example FLDA) amend that the potential participant be not only married but also be between 21 - 45 years.⁺¹

But all there will have to meet the finance and administrative problem as recognised so by the government - that "the FLDA programme will be expanded as rapidly as financial resources and staff numbers and capabilities permit."⁺² The Federal government has decided to increase its \$2 million assistance for State land development this year to \$5 million next year.⁺³ The original plan allocation of \$375.9 million for land development has been increased to \$393.0 million in the revised targets \$220.5 million will be spent in 1969 and 1970 - for land development purposes.

Increasing area capable of double cropping - padi areas

The effective and more intensive use of existing lands would help further utilize the labor resources in the agricultural Sector. Majority of land holdings in Malaysia - especially padi holdings - are uneconomic. In Kedah and Perlis for example due to the growth of population, the lack of economic alternatives and the inheritance laws the holdings have been cut down to pathetic size. The average Kedah and Perlis padi farm⁺⁴ is less than 5 acres and about half of the 60,000 families in the Muda Scheme for example must make or do with less than 4 acres. Apart from this not all the existing acreage under padi are double cropped. In West Malaysia in 1960 the total planted areas under rice was 798,000 acres but only 11,000 acres or 1.378 % were capable of double cropping.⁺⁵ As at end of 1968, 224,000 acres of padi land were double cropped out of a total of slightly less than 1,000,000 acres under padi. Hence to enable more labor to be absorbed per unit of land increasing facilities for drainage and irrigation should be provided.

+1 N.B. In the recent 'land grab' by Hamid Tuah and his followers at Sungai Panjang, Selangor it was reported that "a great many of them are young" and this is simply because "Selangor has no Youth land Schemes." - Straits Times 10th. September 1969.

+2 Riview 1969

+3 Utusan Malaysia 19th June, 1969

+4 Straits Times May 10th. 1969

+5 Monthly Statistical Bulletin. March 1969.

The major irrigation projects undertaken are the Muda and Kemubu projects. The Muda project which will cost \$228 million is expected to render 130,000 existing acres capable of double cropping and also will allow for 131,000 new acres to be opened up for double cropping. The smaller Kemubu project costing \$40 million would enable the entire project area of 55,000 acres to double crop. The Muda project is expected to benefit 60,000 families in the project areas, 30,000 of whom will start from next year no longer be idle for the usual six months.

During the first three years of plan operation only \$185.6 million or 55.8 % of the planned allocation had been actually spent on drainage and irrigation. The government has decided to spend \$164.3 million for this purpose in 1969 and 1970.

Shortage

The shortage is reflected by fact that in 1967⁺¹ there were an estimated 3,400 expatriates serving in this country. About 2,700 of these both in public and in private sector possess specialist skills. Of the 3,400, 2,700 are in the private sector. Though the expatriates represent 0.5 % of the total employed in this country the lack of adequate skills among the Malaysians, and the need for business houses and industrial establishments to have trained and experienced personnel justify their presence here.

In the governmental sector about 40 - 45 % of the posts requiring an honours degree and about 65 - 70 % requiring pass degree have not been filled. In 1964 recruitment in public service managed to fill only 70 % of the 3,500 vacancies in the public service.

Need

According to the Educational Planning and Statistics Division - Ministry of Education, over the 5-year period of the plan, the additional manpower needed - professional sub-professional and others - would amount to 59,510.⁺² The greatest need in terms of numbers is the skilled workers (45,183), majority of which would be needed to fill in new jobs (25,344) most of which could be in the technical and white collar fields.

Though only 4.6% of this 59,510 additional manpower needed are professional types the fact is that this represented an increased need of 83.58 % of the 1965 stock. A large number of this is needed to replace expatriates and to replace retirements and deaths. About 2,000 are needed to fill in new jobs, majority of this requirement are of technical and white collar professions.

+1 UNEC Volume IV December 1968.

+2 UNEC Volume 12 December 1968.

Chapter V

Manpower Constraint

It has already been mentioned that acceleration of industrialisation and that of land development and settlement schemes would to some extent meet the employment needs of the vast pool of unemployed. To plan, administer and implement these such projects effectively and successfully require trained, specialised and professional people including the skilled and highly skilled. This is especially more necessary when the stress now is on labor-intensive types of industries and methods of production in the industrial sector. Unfortunately, such high level and middle level manpower supply as existing is inadequate and scarce resource. It is this serious manpower bottleneck in government service and in commerce and industry that posed and will pose a serious drag on our attempt to push economy further. We therefore are confronted with an anomalous situation.

Shortage

The shortage is reflected by fact that in 1967⁺¹ only there were an estimated 3,400 expatriates serving in this country. About 95 % of them both in public and in private sector possess specialist skills. Of the 3,400, 2,700 are in the private sector. Though the expatriate formed only 0.5 % of the total employed in this country the lack of absence of such skills among the Malaysians, and the need for business houses and industrial establishments to have trained and experienced personnel justify their presence here.

In the governmental sector about 40 - 45 % of the post stipulating an honours degree and about 65 - 70 % requiring pass degrees have not yet been filled. In 1964 recruitment in public service managed to meet only 70 % of the 3,500 vacancies in the public service.

Need

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Though only 6,636 of this 59,570 additional manpower needed are professional types the fact is that this represented an increased need of 83.58 % of the 1965 stock. A large number of this is needed to replace expatriates and to replace retirements and deaths. About 2,876 are needed to fill in new jobs, majority of this requirement are of technical and white collar professions.

+1 Malaysia Plan.

+2 Industrial Trend Survey April/May, 1969.

+1 UMBC Volume IV December 1968.

+2 UMBC Volume 12 December 1968.

The need for sub-professional people is no less important. The estimated needs by 1970 is 20,178 which means that an additional 7,691 or 38.12 % would have to be met since 1965. Large number of this increases will be required to fill vacancies (1,219) and those who retire and as well as those who died (1,872). However majority of these needs will be required to fill in new jobs.

The World Bank Study in 1966⁺¹ revealed that requirement for skilled manpower (workers) over the next five years period is approximately 32,000. In Malaya, for the manufacturing sector would by 1970 "need double the number of engineers and related technologists it now employs if it is to achieve the manufacturing output growth target of 10 % per year". Its needs for professional level specialists such as accountants and architects will be "almost 3 times the small number they (manufacturers) now employ". Agriculture - for research purposes - is expected to require more than 400 additional Division I and II specialists, while the planned expansion of land development programmes will need a further substantial number of specialists.

Effects of Shortage:

The shortage of qualified manpower has had effects which though less measurable nevertheless are costly. According to the Plan "locally financed industrial expansion has proceeded less rapidly than it might have been because the small businessmen lacked adequate access to expert assistance on financing production and marketing problems. Some new industries however have not been established because the staff to undertake engineering or economic feasibility studies was not available.

In a recent survey conducted by FIDA⁺² about 20 % of the manufacturing firms covered, reported "shortage of skilled labor" as one of the factors likely to "limit their output over the next four months. In another survey⁺³ of foundries in Selangor it was found that there was need for foundry expert to not only "train workers in foundry practice but also to improve their technology". The management aspect too need to be modernized.

It is not known whether the failure of major sectors of the economy to achieve their plan targets was due mainly to such shortage of manpower. But the Plan heavily emphasised on the critical importance of such manpower needs especially high level manpower. According to it "the pace of locally financial industrial expansion depends in part upon the availability and use of substantial supply of trained and experienced business specialists - man qualified to assess industrial opportunities, to help small business develop and justify bankable projects and to provide expert counsel while the projects are becoming established."

graduates produced (in 1967 graduates with honours degrees were only 405; 69 in science, and 2 in agriculture). Yet there is the problem of graduates (of the category diploma) not being able to find jobs. 18 agricultural

+1 Malaysia Plan.

+2 Industrial Trend Survey April/may, 1969

+3 Survey of Foundries FIDA, 1969.

+1 UNICE Vol. IV December 1968.

+3 Review

+2 K.L. Enrollments however showed substantial progress. Enrollment at Technical College, K.L. rose from 680 in 1965 to 944 in 1968. (40 % increase). The diploma of Agricultural College are expected to increase from 34 in 1965 to 134 in 1969. (Review).

+4 Straits Times 27th June 1969.

Education Several possible reasons can be put forward for this shortage of manpower. It has been remarked that the "best single indication of a country's wealth in human resources is the proportion of its young people enrolled in secondary schools and in the universities".⁺¹ However in Malaysia, the educational structure is such that we have a large numbers of students in the primary level but few in secondary, fewer still in the university. This "broad based, little height" educational pyramid accounts for this shortage in middle level (skilled) and high level manpower (technical and professional people). Furthermore the orientation of most secondary schools is limited too narrowly to preparation for entrance requirements to the university resulting in poorly prepared secondary school graduates to enter employment.⁺² Even in the secondary vocational schools which are supposed to produce pupils adjusted to economic needs of the country, there is low quality of instruction at the schools because of extreme shortage of qualified teachers. Their salary scales too are not attractive so that poor teachers were recruited resulting in poor output. Poor training might have been the reason for the existence of vocational passed-outs not having found employment for months.

The availability of sufficient number and adequately staffed training institutions is also necessary for development of needed manpower. There is at present a shortage of post-secondary intermediate training institutions for almost all kinds of technicians and sub-professionals. We have only one Agricultural College,⁺² one Technical College and recently a poly-technic was set up in Ipoh.

There is only one university (recently another one was set up - University of Penang.) Students enrollment is still relatively small. The enrollment in University of Malaya for academic session 66/67 represented only 0.9 % of the total number of students in the secondary schools. There is a slight improvement lately. In 1968 out of 454,724 in secondary schools (excluding Technical College/Agricultural College) 5,609 or 1.23 % were in the university and enrollment for 1969/1970 totalled more than 6,000.⁺³ But this again is not enough as is shown by increasing number of our students migrating to pursue higher studies abroad. It is estimated that there are at least 10,000 Malaysian students studying abroad.

The lack of facilities - institutions of higher learning - is one problem. This lack is worsened by lack of proper orientation or emphasis to the economic needs or demands for manpower. There is overemphasis in humanities, law and medicine and underemphasis in Science and engineering, of the total new entrants to university for 69/70 session more than 1000 students enrolled for arts and economics. Majority of the students in 1969 were Arts graduates. The university managed to produce only 50 doctors this year. Though there is a slight improvement in the types of graduates produced (in 1967 graduates with honours degrees were only 405; 69 in science, and 2 in agriculture). Yet there is the problem of graduates (of the category supposed to be greatly needed by nation according to manpower projections) not being able to find jobs. 18 agricultural graduates in 1969 complained of no jobs. The problem here is "the miscalculation both in shaping of courses and the official projection showing an insatiable need for their services."⁺⁴

+1 UMBC Vol.IV December 1968.

+3 Review

+2 N.B. Enrollments however showed substantial progress. Enrollment at Technical College, K.L. rose from 680 in 1965 to 944 in 1968. (40 % increase). The diplomats of Agricultural College are expected to increase from 36 in 1965 to 134 in 1969. (Review).

+4 Straits Times 27th June 1969.

Educational Development Expenditure

A re-orientation of the educational system to meet the economic needs of the country is to be pursued based on the categories of spending for educational development as given in the Plan. Increasing emphasis has been laid to expanding the facilities in the secondary schools and secondary trade and technical education. Of the Plan education allocation for West Malaysia of \$365.0 million, \$152.9 million is to be spent on secondary education only. This amount represented quite a substantial increase in secondary education expenditure over the \$115,086,000 allocations in the second Malaya 5year Plan. A complete shift of emphasis is reflected in the expenditure allocation for vocational education. The introduction of this system of education was relatively recent the importance given to it is not that great. Only \$35 million is to be spent for this purpose. Post-secondary technical and agricultural education was given emphasis too. An additional \$12 million will be spent on Agriculture and Technical Colleges over the Plan period, to reach total plan allocation of \$30.8 million.

During the period under review, the plan had achieved only 41.9 % of its target expenditure for the 5year period. In the secondary level education, though there is tremendous expansion in enrolments, the actual dollars spent was only 50 % of what it had allocated to do. If development expenditure is an indication of the 'progress' achieved so far, then clearly there has been not much progress relative to that

	1965	1968	% increase
Lower Secondary	231,981	369,653	59.3
Upper Secondary	42,022	76,989	83.2
Form Six	3,584	8,682	125.5

Source: Mid Term Review.

envisaged in the Plan. The vocational education for example recorded percentage expenditure achievement of only 6.7% or \$2.4 million in 3 years !

The revised targets of the plan represent ed a cut down of some of original targets. Only \$14.0 million will be spent on vocational education against the \$35 million originally allocated for this purpose. Similarly for post secondary technical and agricultural education. The government has now decided to spend only \$9.0 million for this purpose which represented a 50 % reduction from \$30.8 million originally planned. The targets expenditure for university remained unaltered and its percentage achievement of Plan allocation expenditure was extremely high (71.7 %)

+1 UNCTAD Vol. IV No. 2 December 1964

+2 Mid Term Review

+3 Mid Term Review

+4 Ministry of Commerce and Industry. Journal January 1965 Vol. 2, No. 1

The Teacher Training Programmes too had lagged far behind the targets. Only \$8.1 million was spent during 3 years operation of plan, giving achievement rate of only 28.4 %. The revised targets pruned the original targets down from \$28.5 million to only \$15.0 million. It must be remembered that "the development of teachers training is the masterkey to educational advancement." There seems to be no strong justification for the drastic reduction in especially for teacher training programmes. Financial stringencies is likely to be the economic justification but then it is not that viable an argument relative to the seriousness and importance of such programmes. Enough of qualified teachers have to be produced and produced at a right time. Already the "shortage of teachers is the main inhibiting factor in the re-structuring of upper secondary education towards greater emphasis on science and technical education."⁺² Even though it is realised that it is "difficult to produce science, vocational and technical teachers in the numbers required for the expansion of various levels of education envisage within a short period" there is no need to worsen the shortage by restricting teacher training programmes. A re-direction of financial resources from other purpose to that of teacher production could be looked into. As to the shortage the government plans to recruit teachers from overseas. A request has already been submitted to United Nation Development Programme to assist in establishing an Agricultural teacher Training Programme at the Technical Teachers Training Centre - capable of catering only 60 trainees in 1970 and 150 by 1972.⁺³

Developing the existing manpower of a new generation of intelligent

Besides the development of a new generation of intelligent, educated and inquiring minds geared to meet the needs of the nation, through the educational system, there is need also to develop and increase the efficiency and productivity of the presently employed manpower, more so of the specialised services both in public and private sectors.

To develop specialised management and business skills management training courses are provided by the N.P.C. (National Productivity Centre). Short term courses in management, managerial accounting, industrial relations, sales and marketing industrial engineering and in light industry services are offered to the already employed management personnel. The number of participants increased from 480 in 1965 to 1490 in 1968. Courses and seminars are also conducted by MIM (Malaysian Institute of Management) set up to "tap the reservoir of knowledge and experience in scientific management to widen the (small) pool of trained and experienced management personnel, and to the quality of management in commerce and industry."⁺⁴

Vocational education and training alone will not be able to meet the demand for craft skills and artisan. The training of such skills will have to be undertaken. At present private establishments requiring certain skills to be developed among the presently employed

+1 UNEC Vol. IV No. 2 December 1968

+2 Mid Term Review

+3 Mid Term Review

+4 Ministry of Commerce and Industry. Journal January 1969 Vol. 2, No. 1

personnel, will send them as apprentices to the Industrial Training Institute to be trained. There were 900 apprentices in 1965. Between '65 to '68 a total of over 540 trainees under the apprentice programme and 195 under the accelerated training programme completed their courses. There is still however an urgent need and shortage of skilled craftsmen for industrial development. To meet these needs, further expansion is planned to the Industrial Training Institute in Kuala Lumpur, with overseas assistance. A U.N.D.P. /S.F. programme for Trade Instruction Training is to be launched in 1969, to cater for the sizable need for teachers to support vocational training as well as to meet the need for trade instructors in other government and quasi-government agencies. A second Industrial Training Centre will be constructed at Butterworth which when completed will train annually 950 students under the apprenticeship and accelerated industrial training programme.

There is shortage of both high level and middle level manpower. The former level apart, that of latter is also important for its availability in amount and type constitute an essential requirement for expansion of modern industry. Further, potential investors in deciding to invest will be influenced by the fact of how far such a shortage could be met; so too are the local indigenous industrialists whose ability to expand and improve their competitive position will depend on the availability of adequate supply of skilled manpower. It must be noted that while there are supply problems in the two levels of manpower, there seems to be no problem regarding that of machine operatives. This is because Malaysian workers are "educated and easily trainable" and as one American firm put it, "after three months of training they are 85 % as efficient as the U.S. workers". It was also reported in textile firm that Malaysian workers are "as efficient as Hong Kong textile workers after similar period of training."⁺¹ A United Nations observation seem to support this general view. According to it "recent experience in Asia and Africa has shown that even workers who are quite unfamiliar with machine technology are capable of acquiring reasonable proficiency at repetitive tasks in a mechanised factory within a not unduly long period of training and practice."⁺²

Overall the fact of the problem boils down to (1) the need to re-orientate the education system and curricula to the needs of economic development and ensuring the resultant output to be in adequate numbers and (2) the provision of adequate, well staffed training institutions and facilities for the unemployed and the existing employed.

Several economists have suggested various possible measures to meet this manpower problem. According to You Beng Poh⁺³ such measures of elaborated below should urgently be adopted to help bridge the "expertise and experience gap", government should have:

(1) Crash Training Programme: carefully selected civil servants and business executives should be put through special courses of practical assignment which are tailored to equip them for their respective specialisation either in government or industry. Some of these courses could be conducted in

⁺¹ Malaysian Industrial Digest 4th Quarter 1968 Vol. I, No. 4 page 7

⁺² U.N. "Processes and Problems of industrialization in underdeveloped countries" Department of Economics and Social Affairs 1962. New York.

⁺³ Ekonomi Vol. 9 December 1968.

Malaysia or overseas. Leading U.S. training institutions international organisations and well known business firms might be approached for instance in designing and conducting some of these courses.

(2) Exchange posting of business executive and civil servants: Civil servants in departments dealing with business should be encouraged to be seconded for 1 or 2 years duty in a reputable business organisation so as to make them more business minded, profit conscious and achievement orientated. By the same token selected business executives should be assigned certain posts in government so that they will understand better the process of decision making in government and appreciate better the rationale underlying government policies. There could be a similar exchange of pools and persons among the university, industry, commerce and the government.

The result of exchange of views and experience and cross-fertilisation of ideas should in time enhance performance and co-operation among all these sectors considerably.

(3) Task force: A task force consisting of men with proven record of achievement in government service, in commerce and industry, in the University and the profession should be set up to augment certain sectors of the civil service. One of the main functions of this task force will be to assist the Head of the Ministry or departments by invitation or direction to diagnose outstanding problems, remove bottlenecks, clear up backlog, recommend solutions and more importantly implement them in collaboration with the existing staff of the Ministry or department. Once the restoration operations are underway and counterparts have been trained to take over, the members of the task force will be withdrawn. Its service and expertise will then become available to other departments which may need their expert help.

To be effective this task force must have as its nucleus and spearhead mature men of senior rank. The other members could be recruited from persons holding lower status but from different fields and experience required by the problem.

The above recommendation if implemented will serve to enhance the productivity and efficiency of the existing employed. To meet the more fundamental aspects of the manpower problem, Dr. Kanapathy⁺¹ has made various suggestions.

(a) The secondary education programme must be more imaginatively conceived. Students must see education not to train them for citizenship, dignity and worth of men, but also giving them a job and this can be found if a good number of our schools general and vocational instruction are combined under one roof, geared to meet the many opportunities that are available in the field of agriculture and industry. The present pattern of education is such that secondary school students are "not mentally equipped to either associate themselves with rural renaissance or to take up dirty fingernail jobs on the manufacturing industries sector"

BIBLIOGRAPHY (2) There is need to increase the intake into the university. Yet it is also important to ensure that the university outputs are more in accord with the economic developmental needs of the country. The Higher Education Committee was supposed to have recommended that "for every two Arts graduates the university should produce three graduates having either a science, engineering, medical or agricultural degree". This needed change of emphasis could be facilitated and encouraged by government by establishing and maintaining appropriate differential in the government service which if maintained would increase the number of students seeking technical education and decreased the number enrolled in law, humanities and and the arts". The adoption of such measures will force the university authority to tune the development of high level manpower to meet the more urgent needs of economic development.

We have mentioned the great need in numbers for sub-professional personnel such as agricultural and engineering assistants etc. To attract the best brains a radical change in the status and pay of sub-professional occupations are necessary. It would be wise for the government to raise the remuneration and status of the critically needed sub-professional occupation to a level corresponding to that enjoyed by non-technical university graduates (At present, a diploma holder for Technical College or Agricultural College is paid \$350 per month basic compared to \$450 for the general degree holder - in the government service). Promotional opportunities too - to higher professional categories should be established on the basis of experience and merit and not confined only to those who have a degree or a diploma. General promotional ceilings have as inhibiting an influence as inferior pay and status, in discouraging people from preparing for sub-professional occupations."

Conclusion:

(14) Malaysia Industrial Development (1) and (2) 1968
It is obvious that the measures recommended and the problems related to such measures are not at all exhausting, nor comprehensive. This exercise merely attempts to bring out broadly the problems of unemployment and the measures to be taken. My additional suggestion is that the government should urgently undertake the investigation and detailed analysis of this problem State by State, identify their particular problems and economic potentialities. Furthermore the government should look into the feasibility of providing some form of extended education or professional or technical training to the large mass of lowly qualified unemployed.

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(24) Ekonomi Vol.9 December 1968.

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(26) Surveys by FIDA viz:

- (i) Industrial Trends Survey April/May 1969
- (ii) Survey of Foundations in Selangor.

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